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SURVEYS OF CONSUMER ATTITUDES

SPENDING PLANS REMAIN CAUTIOUS
INCOME UNCERTAINTY LINGERS
LOWER INTEREST RATES

BY

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SPENDING PLANS REMAIN CAUTIOUS: INCOME UNCERTAINTY COUNTERS LOWER INTEREST RATES

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Sentiment Remains at Low Levels

The most recent evidence from the monthly Surveys of Consumers points to modest overall improvement in consumer attitudes and expectations. In the October 1982 survey, the Index of Consumer Sentiment was 73.4, up from 69.3 one month earlier and 65.4 three months earlier. The recent improvement has been due to interest rate declines. But even with this improvement, because of record levels of unemployment, overall consumer sentiment has remained near low levels (Chart 1).

The current level of consumer sentiment reflects not only a cyclically low level but also a long-term downward trend. Consumer attitudes and expectations have been more pessimistic on average throughout the past 10 years than in the prior two decades. From 1973 through the third quarter of 1982, on average half of all consumers expected bad times financially in the economy as a whole. This proportion stands in sharp contrast to the prior two decades, when half of all respondents typically expected favorable business conditions to prevail. Consumer evaluations of their personal financial situation have also been less favorable on average during the past decade. In the 1950s and 1960s consumers more frequently reported improvement in their personal financial situation, but from 1973 through 1982 consumers more frequently reported that their financial situation had worsened rather than improved. These data indicate that, rather than a source of consumer satisfaction and confidence, the economy since the early 1970s has become a source of discontent and uncertainty.

Unemployment Dominates Consumer Views of Economy

Spreading unemployment has been the dominant concern expressed by consumers in each of the monthly surveys conducted thus far in 1982. Four-in-five respondents in the third quarter 1982 surveys thought that the economy had worsened during the past year, a level which has remained unchanged since

the start of 1982. On only a few occasions have these surveys recorded greater agreement among consumers that the economy was in recession, as shown in Chart 2. When respondents were asked to identify the recent economic developments that they had heard and could recall (Chart 3), reports of inflation declined during the past few years only to be replaced by heightened concern with unemployment--as seen from a comparison of Charts 4 and 5. In the third quarter 1982 surveys, 52 percent mentioned hearing about increases in unemployment when asked about news of the economy. This was three times the level that was recorded one year earlier, and the highest level recorded in the last quarter century. Moreover, consumers expected the current high levels of unemployment to persist in the year ahead, although some improvement in these expectations has been recorded recently (Chart 6). During the past 12 months a small but growing proportion of respondents expected unemployment to decline (up from 11 to 21 percent), and fewer respondents expected further increases in unemployment in the year ahead (down from 50 to 41 percent). This small improvement nonetheless leaves unemployment expectations at very unfavorable levels, with the unemployment rate expected to remain unchanged or to increase further from its current double-digit level by three-in-four families in the October 1982 survey.

Unemployment rather than inflation has been viewed by consumers as the more serious economic hardship facing the nation since the start of 1982. The October 1982 survey recorded a greater margin of concern with unemployment as opposed to inflation than at any other time during the past decade--a margin of three-to-one (Chart 8). The sharp increase in concern with unemployment also reflects declines in the expected rate of inflation. During the past several years the annual inflation rate expected by consumers declined from more than 12% to less than 6% in the most recent surveys (Chart 7). Overall confidence in government economic policies to reduce unemployment as well as inflation remained near the lowest level recorded thus far under the current

administration (Chart 9). Among all families, almost twice as many rated government economic policies as poor rather than good in the third quarter 1982 surveys, in sharp contrast to the favorable balance of opinion that was recorded one year earlier.

Interest Rate Declines Improve Outlook for Economy

Despite the depth of concern with the current state of the economy, consumers expected future business conditions to improve. In the October 1982 survey, twice as many consumers expected business conditions to improve rather than worsen in the year ahead (Chart 10). When asked why they thought the economy would rebound, respondents more frequently reported that declines in inflation and interest rates would help improve the economy, while persistent concern about high levels of unemployment contributed to negative expectations. Favorable references to news about interest rate declines in the September and October 1982 surveys were the highest ever recorded in these surveys--reported by nearly one-in-five families. Moreover, consumers expected interest rates to continue their recent decline in the year ahead by more than a two-to-one margin (Chart 11).

Although the balance of opinion points toward expected improvements in the economy, consumers expected the improvement to be small and few expected the return of good times financially for the economy as a whole. Among all families, just 35 percent expected good times financially in the economy as a whole during the next 12 months. More than half of all families continued to expect bad times financially in the economy as a whole during the year ahead (Chart 12). Although both short and long term business expectations improved in recent months, they have remained at low levels. During the 1950s and 1960s these surveys rarely found American families to more frequently expect

declines rather than improvements in business conditions over the longer term. Since the start of the 1970s, nearly all of the surveys have recorded a more pessimistic than optimistic long term economic outlook (Chart 13).

Buyers Await Interest Rate Declines

Attitudes toward buying conditions for houses, vehicles, and household durables have remained near record low levels for nearly two years. This persistently unfavorable view of market conditions has resulted from high interest rates. Concern with interest rates on consumer loans first reached record levels in the second quarter of 1980 (when the Carter administration announced a credit restrictions program), and, following a brief reversal in late 1980, returned to record high levels. During the past year declines in interest rates have been widely expected, which made consumers more resistant to the then prevailing interest rates charged on consumer loans. Among all families in the October 1982 survey, 35 percent said they had postponed purchases due to high interest rates, unchanged at this high level for more than a year (see Tables A and B). Vehicles were the most frequently postponed purchase, reported by 15 percent. Housing and home repair purchases were postponed by 10 percent, followed by household durables which were postponed by 8 percent of all families. Despite the widely announced declines in the market rates, the median interest rate reported as the rate that would have been charged on the postponed purchases was 17.6% in October 1982, a figure that has remained largely unchanged during the past year. The October survey thus offers no evidence that consumers had yet encountered lower rates on consumer loans.

Importantly, the expected declines in interest rates have already led to significant improvements in attitudes toward buying conditions. From July to October 1982, the proportion of families that held favorable attitudes toward buying conditions for houses rose from 15 to 32 percent, while the proportion holding unfavorable attitudes fell from 76 to 62 percent (Charts 14 and 15).

Although still unfavorable by a substantial margin, the October 1982 survey recorded more favorable house buying attitudes than at any time since October 1980. The major factor responsible for this improvement has been expected declines in mortgage interest rates (Chart 16). When respondents were asked to explain their views on house buying conditions, references to high mortgage rates fell from 82 percent in July to 60 percent in the October 1982 survey, while expectations of lower mortgage rates rose from 4 to 23 percent.

Declines in interest rates also led to a small improvement in car buying attitudes (Charts 18 and 19). The proportion of families that mentioned high interest rates for auto purchases fell to 19 percent in October 1982 from 32 percent in July (the all-time record level), while mentions of the availability of lower interest rates increased to 11 from 5 percent during the past three months (Chart 20). Lower interest rates had a relatively smaller impact on buying attitudes toward household durables, which reflects both less frequent use of credit for these purchases and interest rates on credit card accounts that are less responsive to market trends (Charts 22-24).

The recent improvement in house and car buying attitudes is similar to the improvement recorded in mid-1980 when market interest rates underwent a steep decline. From May to August 1980 house buying attitudes improved sharply as mentions of high interest rates declined from 75 to 41 percent, and expectations of lower mortgage rates increased from 6 to 28 percent. Unfortunately, the actual decline in consumer loan rates proved to be small and short-lived. As a result, house buying attitudes quickly reverted to record low levels. The recent improvement in house and car buying attitudes will likewise be sensitive to actual trends in interest rates.

The recent dominant role played by high interest rates has obscured other important shifts in consumer reactions to market prices. In the late 1970s, consumer reactions reflected both an aversion to high prices and a willingness to buy-in-advance of further price increases. At that time, consumers rarely

mentioned the appeal or availability of low prices. In contrast, in mid 1982, buy-in-advance price rationales were rarely mentioned, and price declines and the availability of discounts and rebates were mentioned much more frequently. Thus far the 1982 monthly surveys have recorded more mentions of low housing prices and fewer complaints about high prices than at any other time during the past decade (Chart 17). The October 1982 survey also recorded more favorable references to the availability of lower prices and discounts on cars and household durables than unfavorable references to high prices (Charts 21 and 24). Such a favorable view of market prices has been recorded only rarely during the past several decades.

More favorable perceptions of market prices coupled with reductions in consumer loan rates will act to release pent-up demand, but increases in sales will be constrained by continued personal financial uncertainty. Increasingly during the past year, respondents have referred to the inability of families to make purchases due to unemployment and income declines. This lack of income discretion was cited by 20 percent of all families when asked to evaluate buying conditions for household durables in the third quarter 1982 surveys, up from just 8 percent one year earlier.

Income Declines Widespread

Consumer evaluations of their personal financial situation have remained at very unfavorable levels throughout the past year. In the third quarter 1982 surveys, 41 percent of all families reported that their financial situation had worsened during the past year, while 30 percent reported improvements (Chart 25). When asked to explain how their financial situation had improved or worsened during the past year, one-in-five families mentioned income declines in the third quarter 1982 surveys, more than at any other time during

the prior two decades. Partially offsetting these unfavorable income trends, somewhat fewer respondents mentioned the adverse impact of inflation on their family budgets during the past year (Chart 26).

Concern with unemployment and income declines has kept most consumers cautious in their spending plans. Respondents expressed greater reluctance to draw on savings or incur new debt to finance major purchases in the third quarter of 1982 than at any time in the prior two years. The latest installment of the tax cut legislation did little to restore consumer willingness to make large discretionary purchases. In the third quarter of 1982, respondents were asked how their monthly take-home pay had changed as a result of the tax legislation, repeating questions asked in 1981 (see Table C). Not only did fewer families report income increases, but the expected amount of the monthly increase in disposable income also declined sharply during the past year. Among those families that reported increases in their take-home pay, the median monthly increase was $23 in 1982, half the $50 expected in 1981.

When asked whether they planned to save or spend the increase in after tax income, 43 percent of all families reported spending plans in 1982, up from 25 percent in 1981. Although spending rather than saving plans increased during the past year, since fewer families expected smaller increases, the net spending stimulus was left largely unchanged. Moreover, the increase was not in spending plans for major new purchases, but rather to cover everyday expenses.

Declines in the expected rate of inflation have led to the establishment of a more favorable personal financial outlook, even though smaller income increases are now expected. Nearly twice as many families in the third quarter 1982 surveys expected their personal financial situation to improve rather than worsen in the year ahead (Chart 27). Although income expectations

have weakened somewhat in the past year, they did not decline as much as price expectations, leaving real income expectations more favorable, as shown by the comparison of Charts 28, 29 and 30.

In addition to the improvement in financial expectations, the financial balance sheets of American households also improved. The major reason for the improvement in the financial situation of households has been sharp reductions in debt. During the past year, the rate of asset and debt acquisition both declined, but the incurrence of debt declined to a much greater extent, and thus led to an improvement in the net saving rate (compare Charts 31 and 32). From 1979 to 1982, the net saving rate more than doubled, rising from under 5% to over 10%, and stood at 11.5% in the first quarter of 1982--higher than at any other time in the last 30 years.

This improvement in the financial balance sheets of American households is based on data derived from the Federal Reserve Board's Flow of Funds Accounts. Another more widely used measure of consumer savings, based on the National Income and Product Accounts (NIA) would not support similar conclusions. Charts 33 and 34 give greater detail on the difference between the NIA and FRB saving rates. In the early 1950s, the NIA saving rate was approximately 4 percentage points higher than the FRB saving rate. During the 1960s and 1970s the NIA saving rate was generally above the FRB rate but the difference was relatively small. In contrast, the FRB saving rate exceeded the NIA rate by 4 percentage points by mid 1982. Although the recent divergence is consistent with the long term trend, at no time during the past 30 years has the difference been so large. At present, the difference amounts to 82 billion, even after the most recent revisions are taken into account: $142 billion was saved at annual rates in the first half of 1982 when estimated according to the NIA procedure, compared with $224 billion dollars based on on the FRB procedure (see Table D).

How can this divergence be explained? It is of course true that the two saving measures are based on conceptually distinct approaches that defy exact reconciliation. Both methods calculate consumer saving as a residual. The FRB accounts may have allocated too few dollars to the business and foreign sectors, and thus overestimated consumer savings. Or the problem may lie in the underestimation of personal disposable income in the NIA accounts, which are based on IRS data. If NIA personal disposable income is underestimated, it would not only cause NIA saving to be underestimated, it would also cause the FRB saving rate to be overestimated (since the income base should have been larger). At the present time, I cannot tell you whether one or both of these hypotheses are correct. But until the recent sharp divergence in the NIA and FRB data are better understood, analysts must view both sets of saving data with greater skepticism than usual.

Summary Outlook

The most distinctive aspect of recent trends in consumer sentiment has been the sharp divergences produced by changes in unemployment, inflation, and interest rates. The current record level of unemployment has been reflected in the very bleak evaluations of the current state of the economy. And although business conditions are expected to improve in the year ahead, the improvement is anticipated to be small due to the expected persistence of high unemployment. At the same time, declines in inflation have led to more favorable financial expectations, and more favorable views toward product prices. And during the past several months, a heightened awareness of declines in interest rates has been recorded, coupled with the expectation that these declines would continue in the year ahead. Interest rate declines are expected to help improve business conditions generally, as well as buying conditions for houses and cars. While declines in consumer loan rates will release pent-up demand, the increase in consumer sales will be constrained by

cautious spending plans dictated by concerns with unemployment. A modest but cumulative recovery in consumer sales during 1983 will depend both on sustained declines in consumer loan rates as well as on renewed growth in household incomes.

Consumer spending and saving behavior will remain highly responsive to current and expected trends in interest rates in both the near and longer term. One of the goals of public policy is to increase consumer saving to provide the necessary capital for business investments. The principal tools of this policy have been a tight monetary policy coupled with tax and expenditure cuts. The tight monetary policy aims to achieve the lower rates of inflation needed for long term savings to prosper. The high rates of interest which accompanied the larger federal deficits have also induced consumers to shift from debt acquisition to asset accumulation. The spending cuts, in addition to their direct impact on social programs, have sent important signals to consumers. The primary motives for saving, documented in more than thirty years of surveys, have been 1) to provide security and emergency funds in case of economic adversity, 2) for the education of children, and 3) to provide for retirement. The expenditure cuts may result in consumers becoming more concerned about each of these needs and hence raise the desired level of savings and reserve funds.

In the 1960s and 1970s economic policies acted to monetize the federal budget deficits--that is, federal deficits were accommodated by introducing more money into circulation, rather than borrowing more money from the private financial markets. This practice resulted in lower interest rates and higher inflation rates. Since the change in monetary policy in late 1979, the federal government has directly competed with the business and consumer sectors for available funds. This new procedure has led to lower inflation rates and higher and more variable interest rates. If during the decade of the 1980s these economic policies remain unchanged--that is, a restrictive mone-

tary policy coupled with personal income tax rates indexed for inflation--the burden of economic adjustments will be enforced, not by inflation, but by interest rates, with consumer savings forced to provide the financial flexibility for the economy to adjust. Over the longer term, consumer investments in financial assets will thus be favored rather than consumer investments in houses, vehicles, and durables.

One year ago at this conference, the title I chose to highlight the 1982 consumer outlook was "Interest Rates Dominate Behavior," a theme I summarized by saying it was likely that "...interest rates would replace inflation rates as the driving force of trends in consumer attitudes and expectations." This same observation holds equally true for the 1983 outlook, as consumer spending and saving behavior remains highly responsive to current and expected trends in interest rates.

CHART 1 - HISTORICAL SERIES

THE INDEX OF CONSUMER SENTIMENT

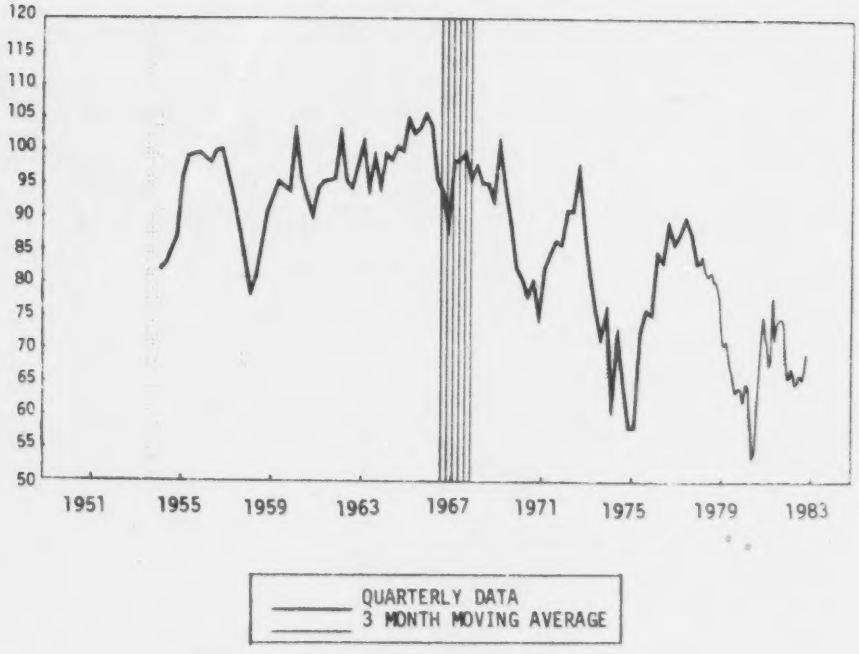


CHART 2

CURRENT BUSINESS CONDITIONS COMPARED WITH A YEAR AGO

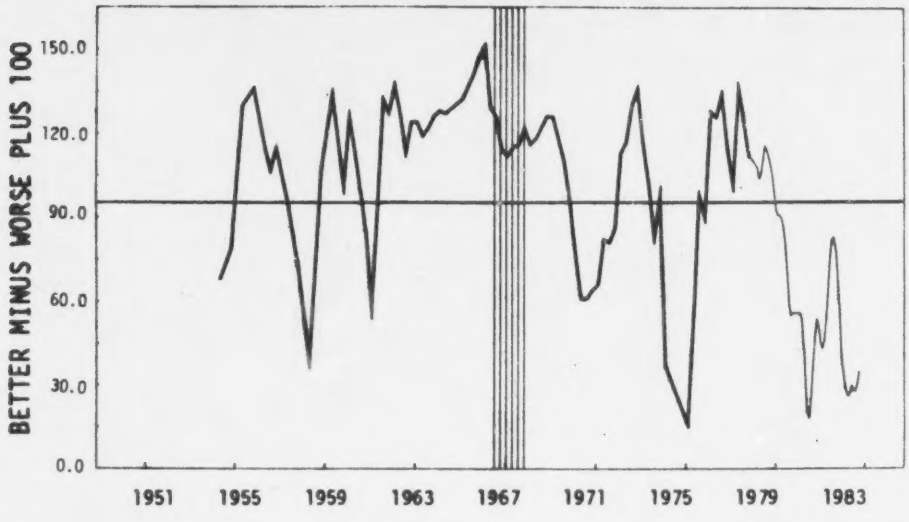
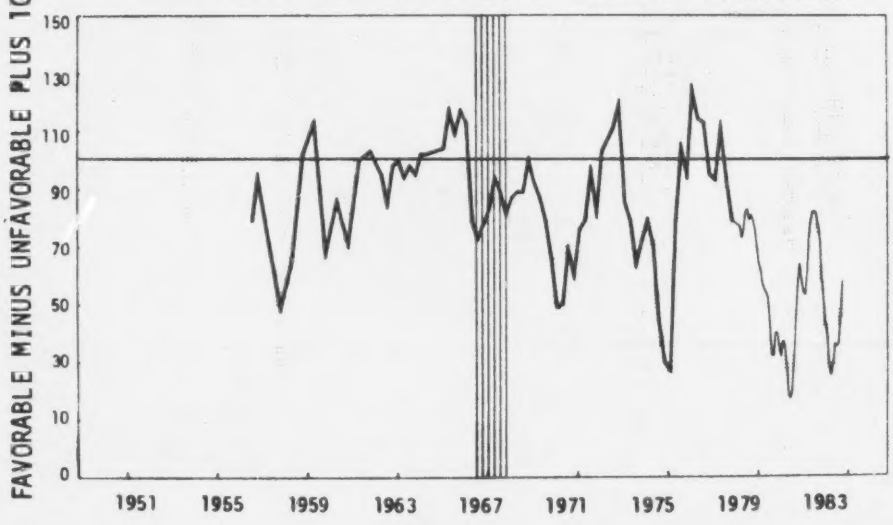


CHART 3

NEWS HEARD OF RECENT CHANGES IN BUSINESS CONDITIONS



The questions were: "Would you say that at the present time business conditions are better or worse than they were a year ago?" "During the last few months, have you heard of any favorable or unfavorable changes in business conditions?"

CHART 4

NEWS HEARD ABOUT CHANGES IN PRICES

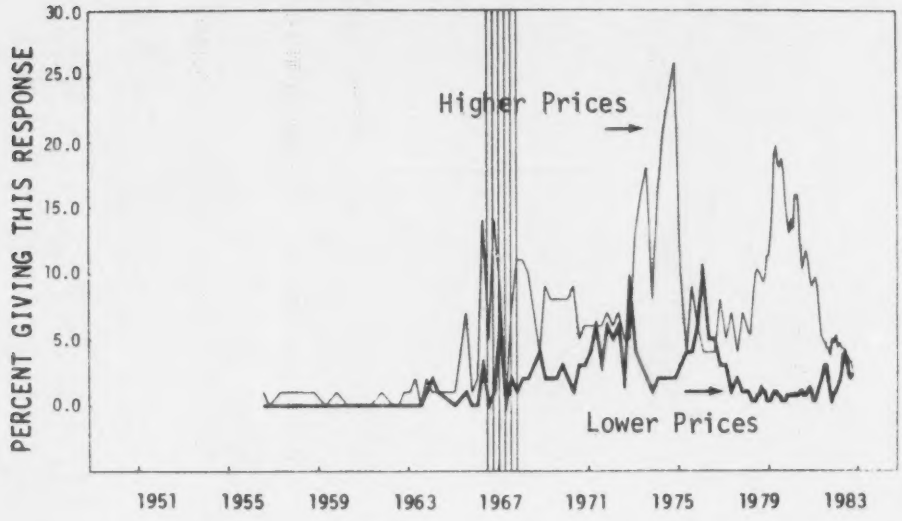
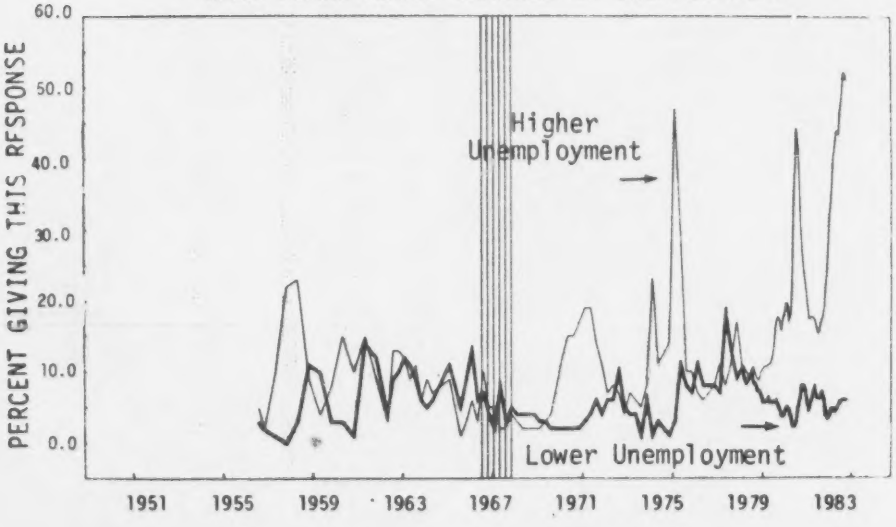


CHART 5

NEWS HEARD ABOUT CHANGES IN UNEMPLOYMENT



The question was "What did you hear?" in response to the question "During the last few months, have you heard of any favorable or unfavorable changes in business conditions?"

CHART 6

EXPECTED CHANGE IN UNEMPLOYMENT

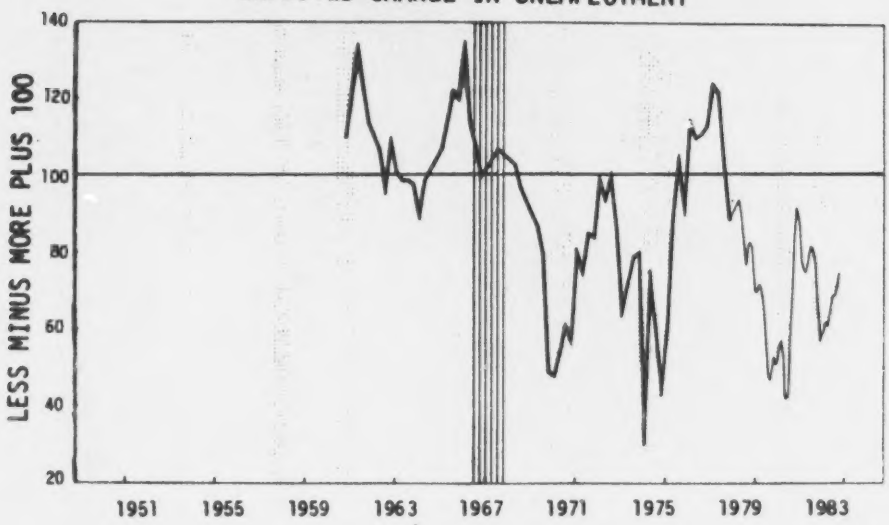
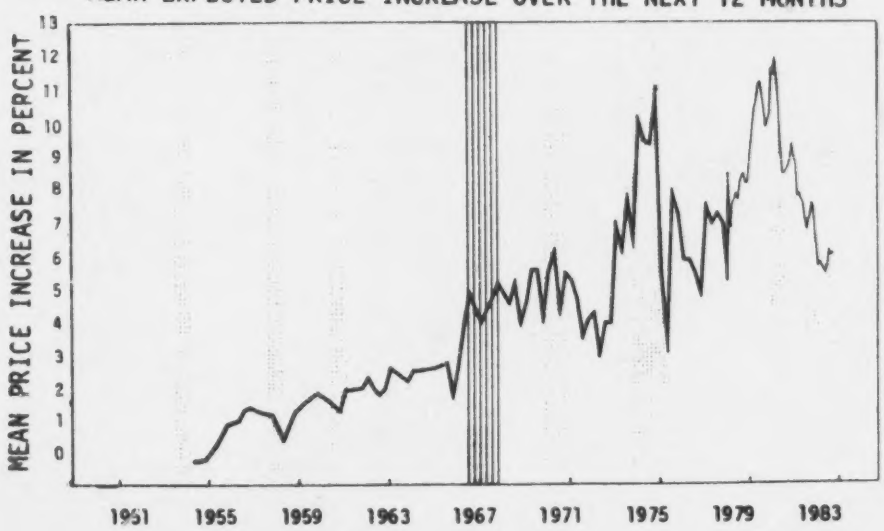


CHART 7

MEAN EXPECTED PRICE INCREASE OVER THE NEXT 12 MONTHS



The questions were: "How about people out of work during the coming 12 months--do you think that there will be more unemployment than now, about the same, or less?" "During the next 12 months, do you think that prices in general will go up, or go down, or stay where they are now?" and "By about what percent do you expect prices to go up, on the average, during the next 12 months?"

CHART 8

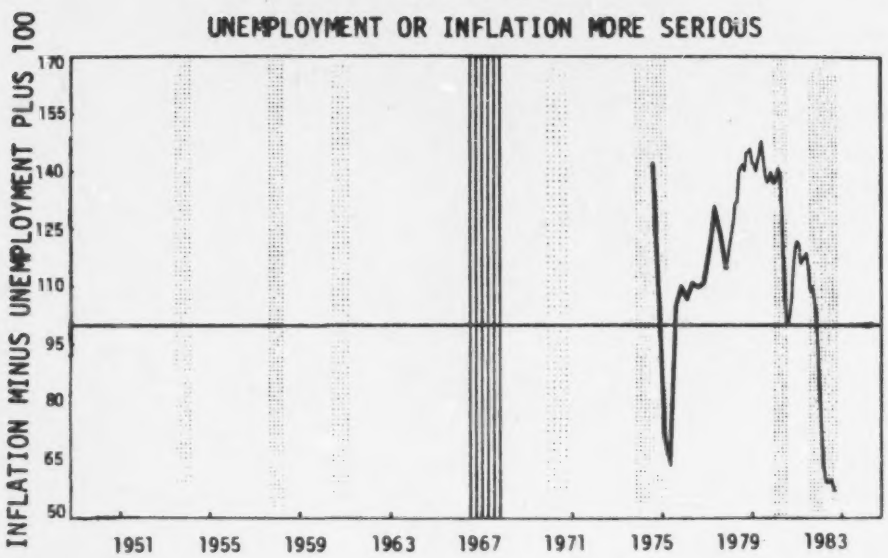
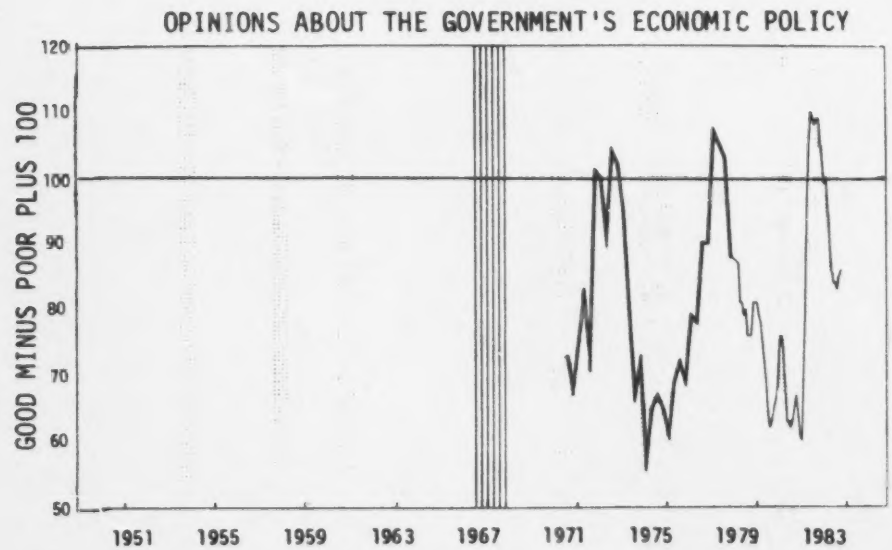


CHART 9



The questions were: "Which of the two problems--unemployment or inflation--do you think will cause the more serious economic hardship for people during the next year or so?" "As to the economic policy of the government--I mean steps taken to fight inflation or unemployment--would you say the government is doing a good job, only fair, or a poor job?"

CHART 10

EXPECTED CHANGE IN BUSINESS CONDITIONS IN A YEAR

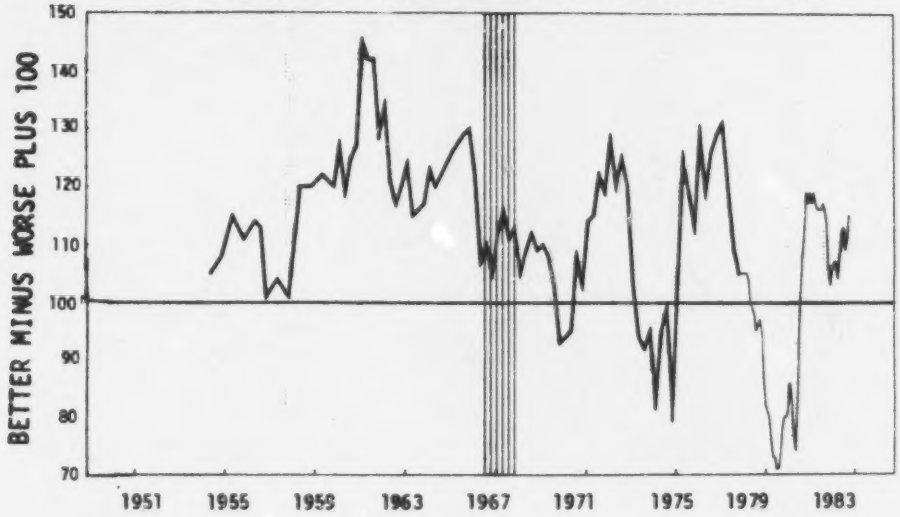
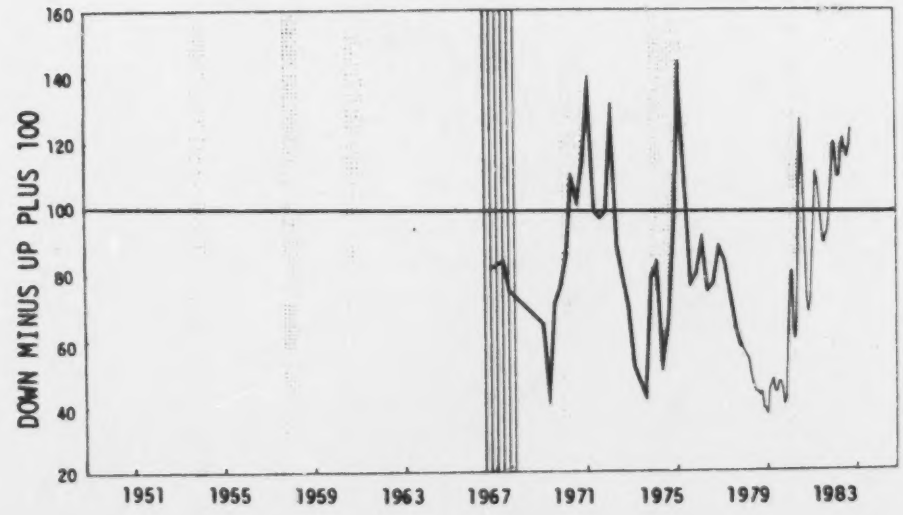


CHART 11

EXPECTED CHANGE IN INTEREST RATES



The questions were: "And how about a year from now, do you expect that in the country as a whole business conditions will be better, or worse than they are at present, or just about the same?"
"No one can say for sure, but what do you think will happen to interest rates for borrowing money during the next 12 months--will they go up, stay the same, or go down?"

CHART 12

BUSINESS CONDITIONS EXPECTED DURING THE NEXT TWELVE MONTHS

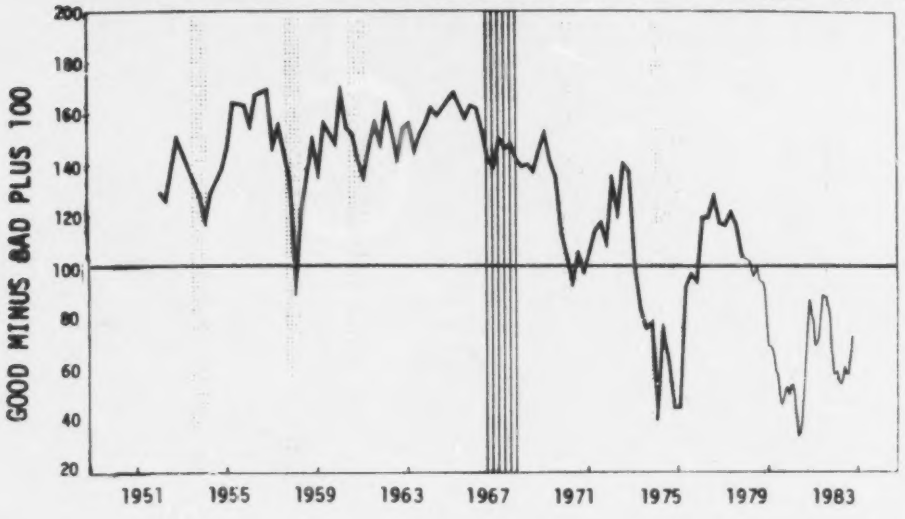
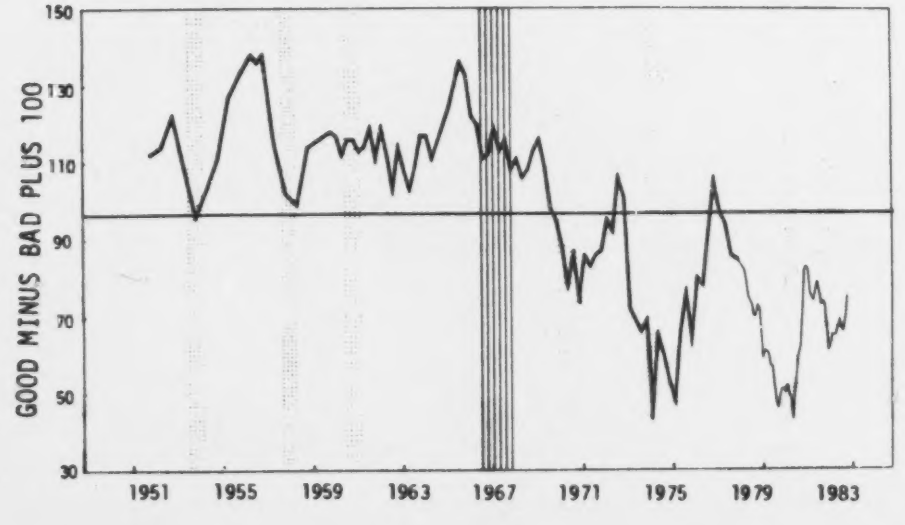


CHART 13

BUSINESS CONDITIONS EXPECTED FOR THE NEXT FIVE YEARS



The questions were: "Now turning to business conditions in the country as a whole--do you think that during the next 12 months we'll have good times financially, or bad times, or what?"

"Looking ahead, which would you say is more likely--that in the country as a whole we'll have continuous good times during the next 5 years or so, or that we will have periods of widespread unemployment or depression, or what?"

TABLE A

INTEREST RATE EFFECT ON CONSUMER PURCHASES DURING THE LAST SIX MONTHS

	June 1980	4th Qtr 1981	1st Qtr 1982	2nd Qtr 1982	3rd Qtr 1982	Oct. 1982
Postponed Purchases:[a]	15%	34%	33%	32%	34%	35%
Vehicles	5	13	11	12	13	15
House, home repairs	2	13	11	11	9	10
Household durables	7	8	10	8	10	8
Other	1	5	7	7	6	6
Did not postpone purchase	84	65	66	67	64	65
Don't know, not ascertained	1	1	1	1	2	*
Total	100%	100%	100%	100%	100%	100%

*Less than half of one percent.

[a]Items add to more than total due to multiple mentions.

TABLE B

INTEREST RATE EFFECT ON CONSUMER PURCHASES DURING THE LAST SIX MONTHS

	4th Qtr. 1981	1st Qtr. 1982	2nd Qtr. 1982	3rd Qtr. 1982	Oct. 1982	October, 1982		
						Vehicles	House, Home Repairs	Household Durables
Postponed Purchases								
Percent of Households	34%	33%	32%	34%	35%	15%	10%	8%
Interest rate that would have been charged on postponed purchase								
Median	17.5%	17.7%	17.5%	17.6%	17.6%	17.3%	16.7%	18.4%
Highest interest willing to pay to make purchases								
Median	11.9%	12.0%	11.9%	11.9%	11.8%	11.7%	11.4%	11.9%
Difference between interest rate charged and willing to pay								
Median	4.7%	5.1%	5.1%	5.3%	5.5%	5.3%	4.7%	6.5%

The questions were: "Have interest rates caused you to postpone making any purchases during the last six months?" "What was postponed?" "What interest rate would have been charged on any money borrowed for (ITEM)?" and "What is the highest interest rate at which you would have purchased (ITEM)?"

CHART 14

BUYING CONDITIONS FOR HOUSES

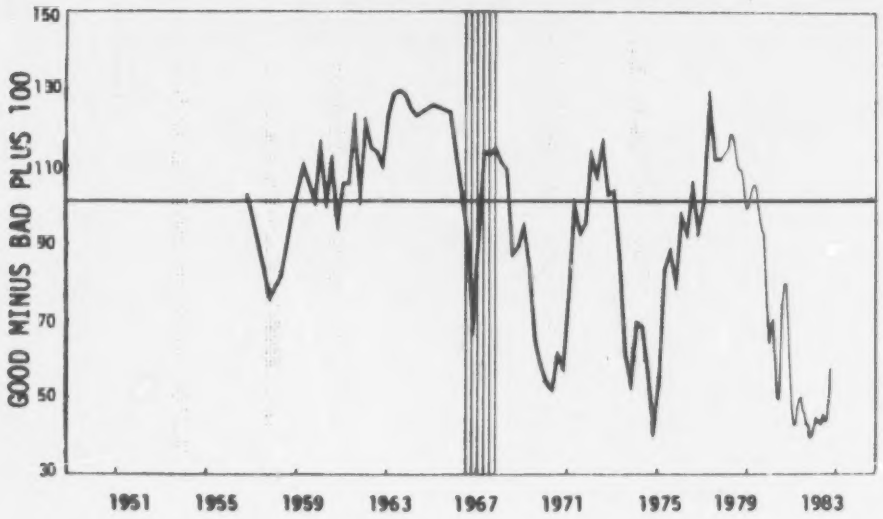
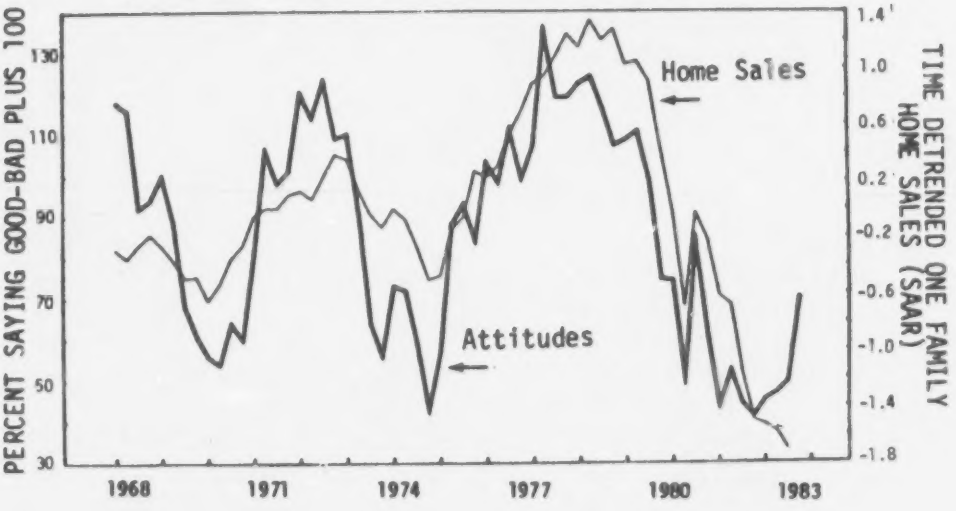


CHART 15

BUYING ATTITUDES FOR HOUSES AND TOTAL HOME SALES



The questions were: "Generally speaking, do you think now is a good time or a bad time to buy a house?"

CHART 16

REASONS FOR OPINIONS ABOUT BUYING CONDITIONS FOR HOUSES

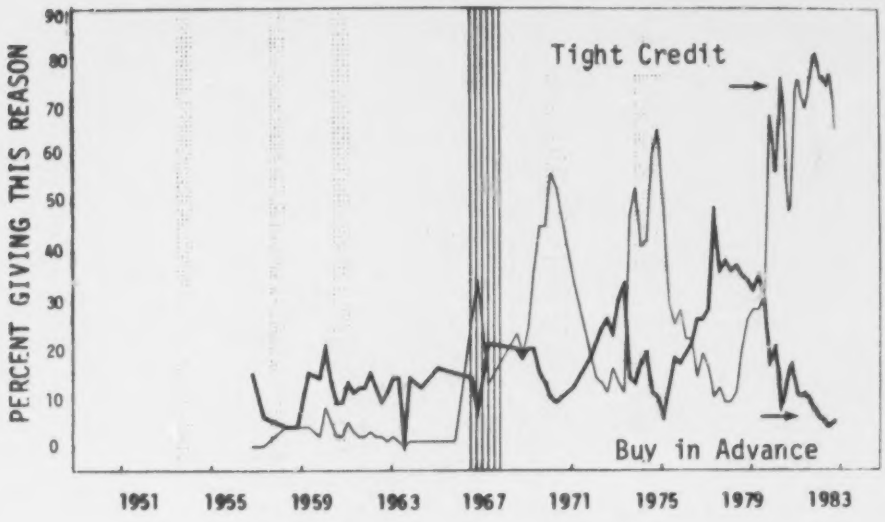
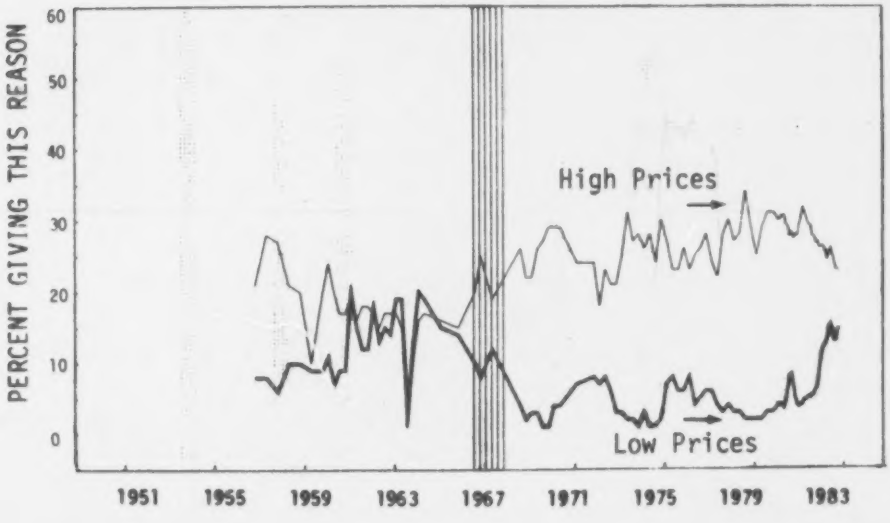


CHART 17

REASONS FOR OPINIONS ABOUT BUYING CONDITIONS FOR HOUSES



The questions were: "Why do you say so?" in response to the question "Generally speaking, do you think now is a good time or a bad time to buy a house?"

CHART 18

BUYING CONDITIONS FOR CARS

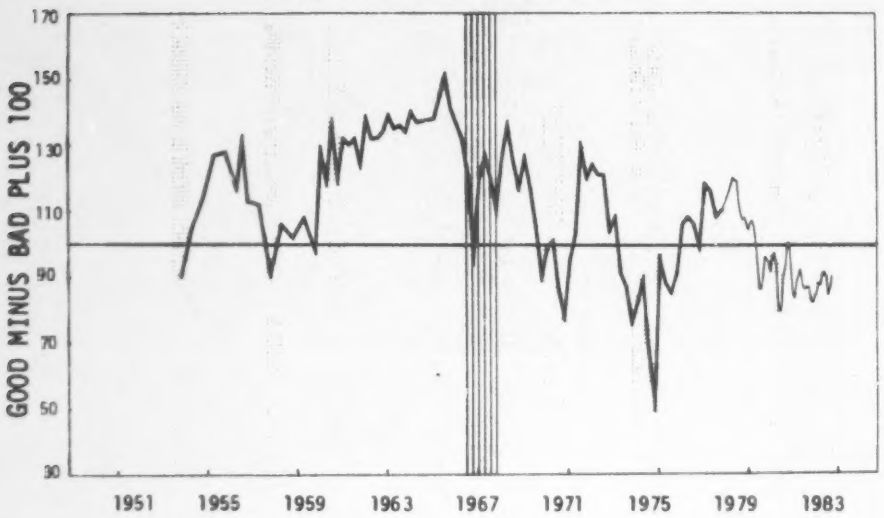
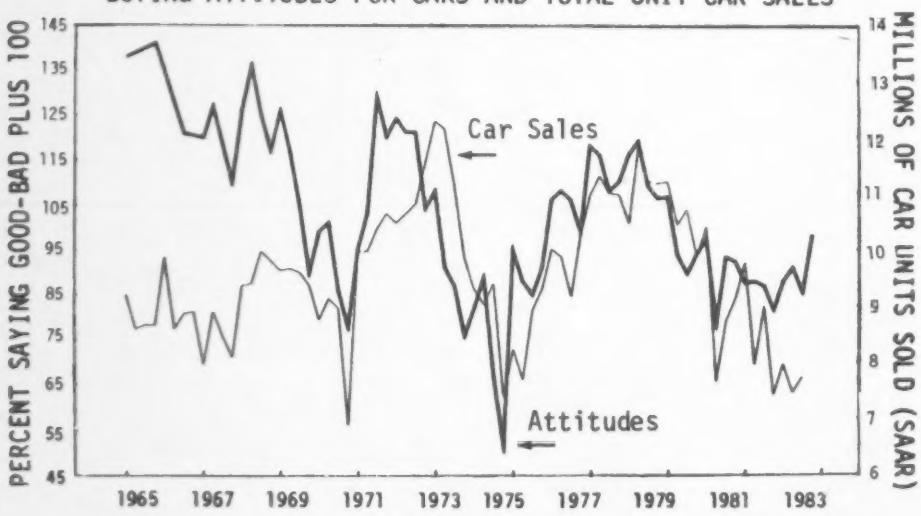


CHART 19

BUYING ATTITUDES FOR CARS AND TOTAL UNIT CAR SALES



The questions were: "Speaking now of the automobile market--do you think the next 12 months or so will be a good time to buy a car?"

CHART 20

REASONS FOR OPINIONS ABOUT BUYING CONDITIONS FOR CARS

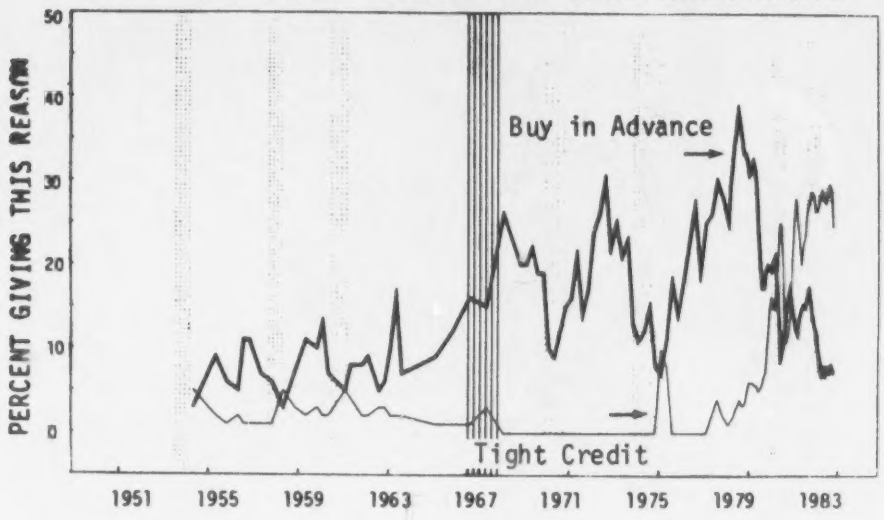
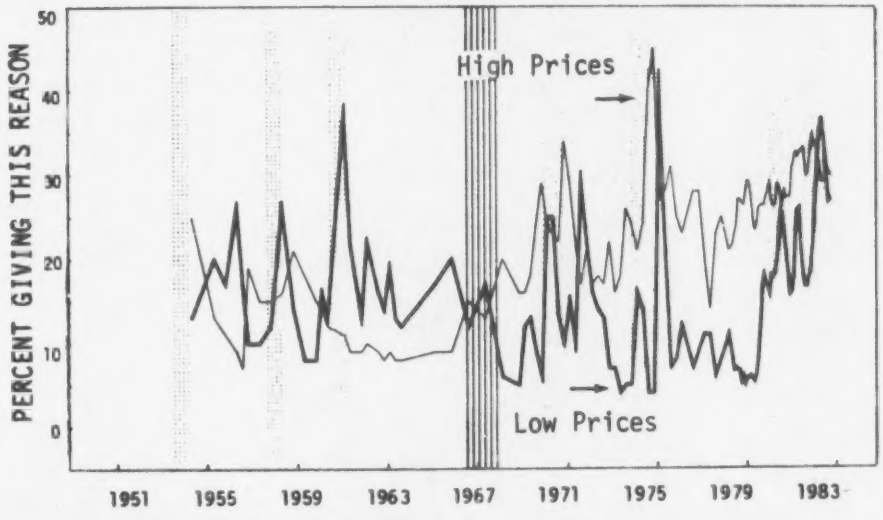


CHART 21

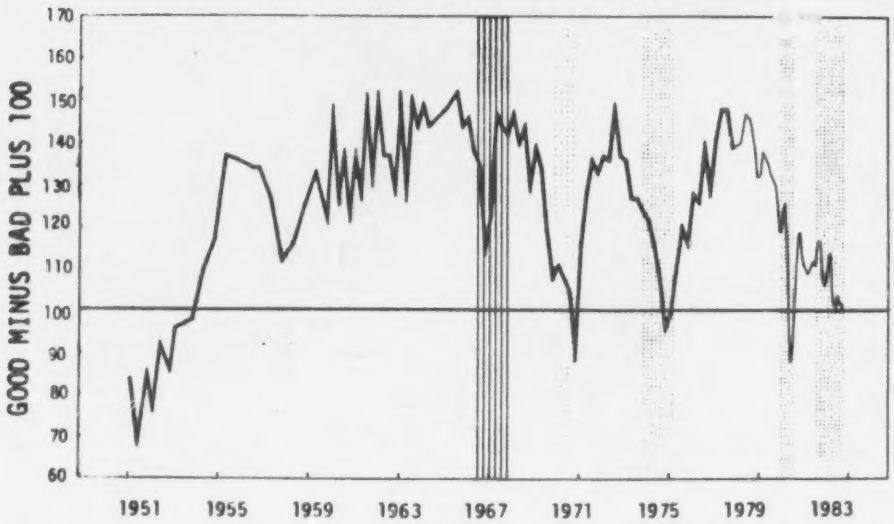
REASONS FOR OPINIONS ABOUT BUYING CONDITIONS FOR CARS



The question was: "Why do you say so?" in response to the question "Speaking now of the automobile market--do you think the next 12 months or so will be a good time to buy a car?"

CHART 22

BUYING CONDITIONS FOR LARGE HOUSEHOLD GOODS



The questions were: "About the big things people buy for their homes--such as furniture, a refrigerator, stove, television, and things like that. Generally speaking, do you think now is a good or a bad time for people to buy major household items?" and "Why do you say so?"

CHART 23

REASONS FOR OPINIONS ABOUT BUYING CONDITIONS FOR DURABLES

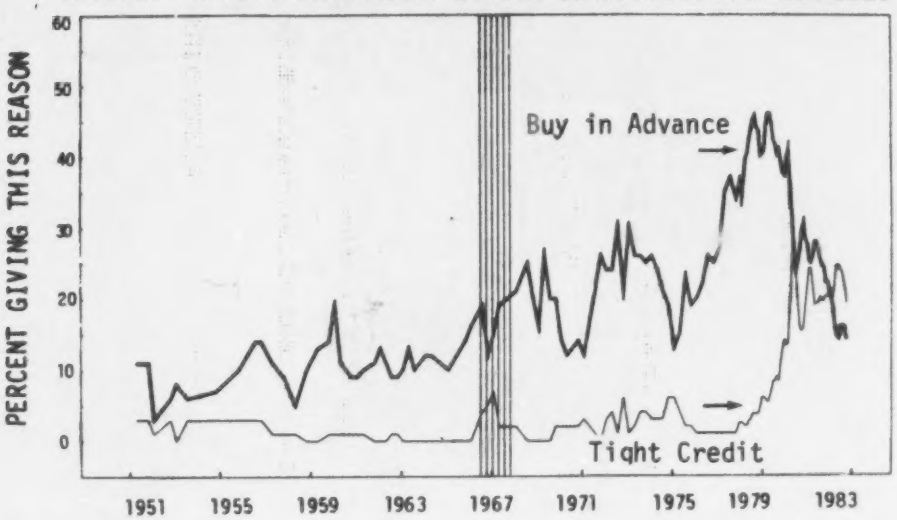


CHART 24

REASONS FOR OPINIONS ABOUT BUYING CONDITIONS FOR DURABLES

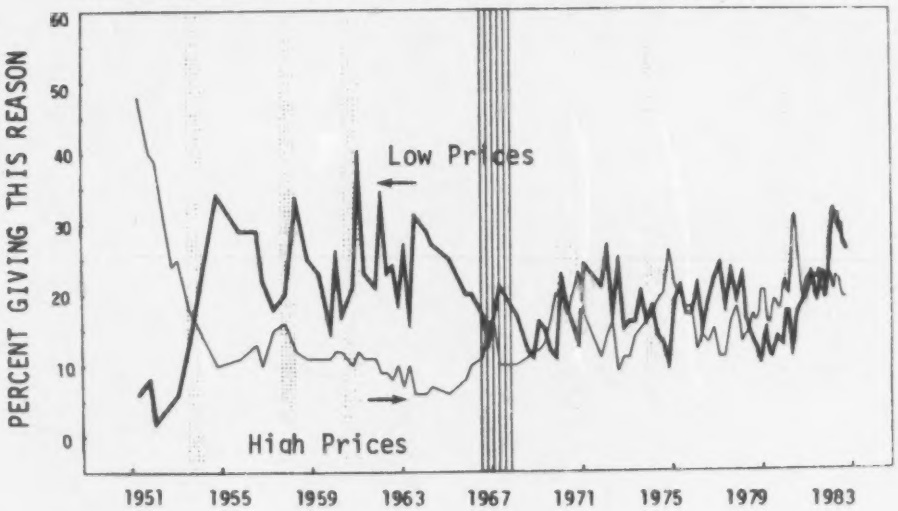


TABLE C

EXPECTED CHANGE IN MONTHLY TAKE-HOME PAY RESULTING FROM PERSONAL INCOME TAX REDUCTIONS

Expect Take-home Pay to...	1963	April-May 1981	3rd Quarter 1982
Increase	NA	46%	29%
Stay the same		40	54
Decrease		2	6
Does not pay taxes		6	7
Don't know		2	1
Not ascertained		4	3
Total		100%	100%
Cases		1224	2083
Expect Increase in Monthly Take-home Pay			
Median	NA	$50	$23
Planned Use of Increase in Take-home Pay			
Spend	31%	25%	43%
New purchases	NA	8	8
Current expenses	NA	17	35
Repay debt	12	21	22
Save, invest	44	41	25
Both spend and save	9	4	4
Don't know, not ascertained	4	9	6
Total	100%	100%	100%

The questions were: (April-May 1981) "If the personal income tax reductions were actually passed, would you expect your monthly take-home pay to increase, stay the same, or what?" IF INCREASE: "About how much more money would you expect to take home each month?" "What do you think you would do with this money--spend it, save it, invest it, repay debts, use it for a down-payment on something, or what?"

(3rd Quarter 1982) "As a result of the 1982 federal tax cut, would you expect your monthly take-home pay to increase, stay the same, or what?" IF INCREASE: "About how much more money would you expect to take home each month?" "What do you think you would do with this money--spend it, save it, invest it, repay debts, use it for a down-payment on something, or what?"

(1963) "Suppose that income taxes are cut, so that next year everyone will have more of his money left after taxes--what do you think most people would do with this money?"

CHART 25

CURRENT FINANCIAL SITUATION COMPARED WITH A YEAR AGO

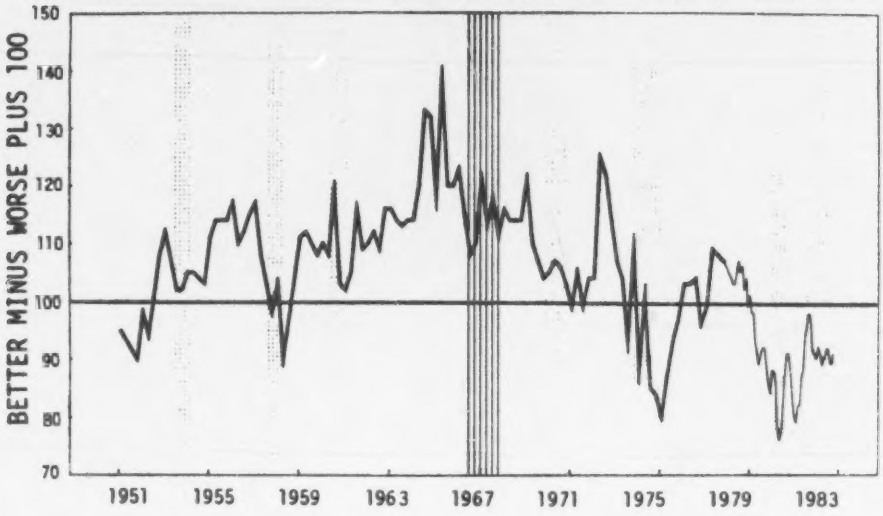
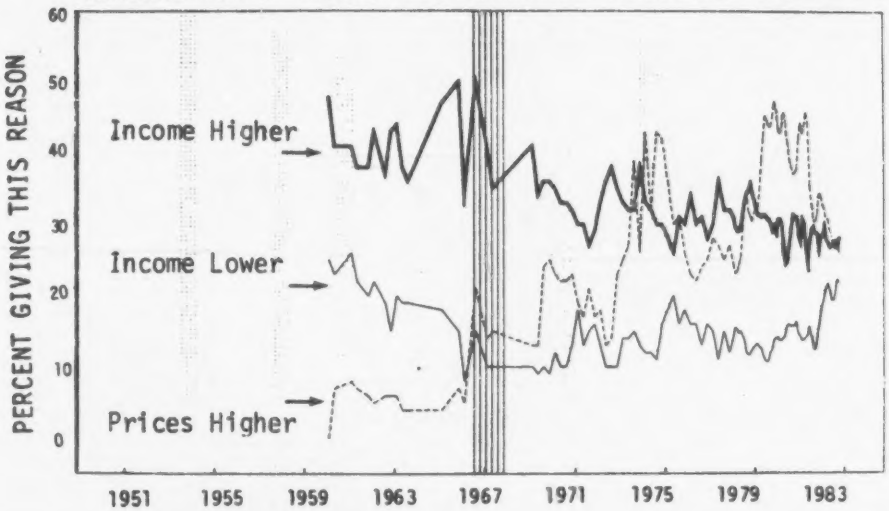


CHART 26

REASONS FOR OPINIONS ABOUT PERSONAL FINANCIAL SITUATION



The questions were: "We are interested in how people are getting along financially these days. Would you say that you (and your family living there) are better off or worse off financially than you were a year ago?" and "Why do you say so?"

CHART 27

EXPECTED CHANGE IN FINANCIAL SITUATION

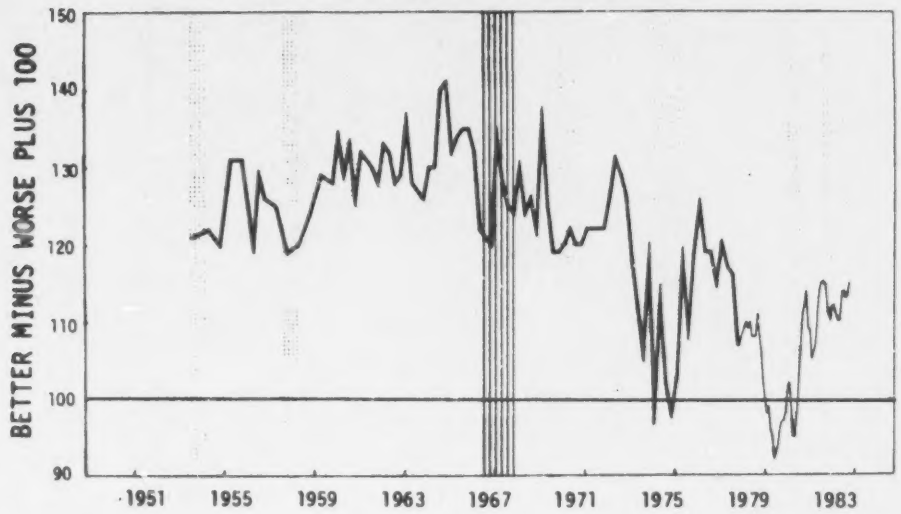
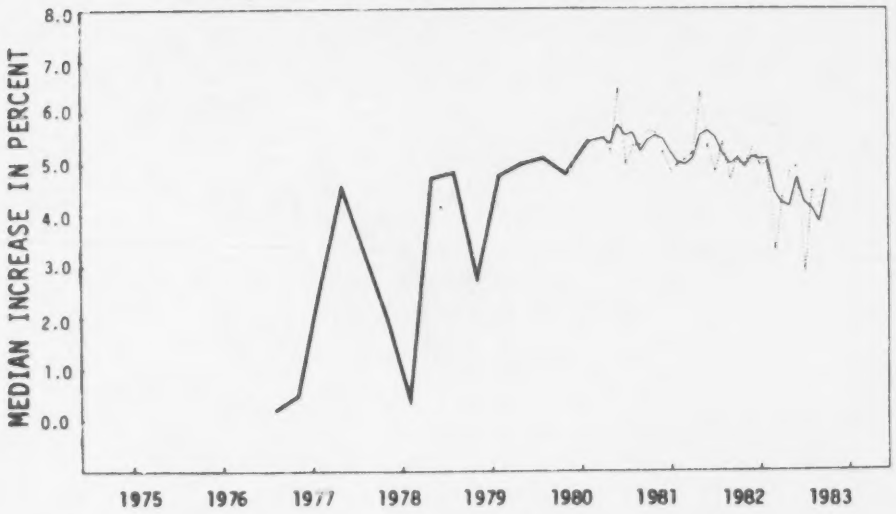


CHART 28

MEDIAN EXPECTED CHANGE IN FAMILY INCOME



The questions were: "Now looking ahead--do you think that a year from now you (and your family living there) will be better off financially, or worse off, or just about the same as now?"
"During the next 12 months, do you expect your (family) income to be higher or lower than during the past year?" and "By about what percent do you expect your (family) income to increase during the next 12 months?"

CHART 29

MEAN EXPECTED PRICE INCREASE OVER THE NEXT 12 MONTHS

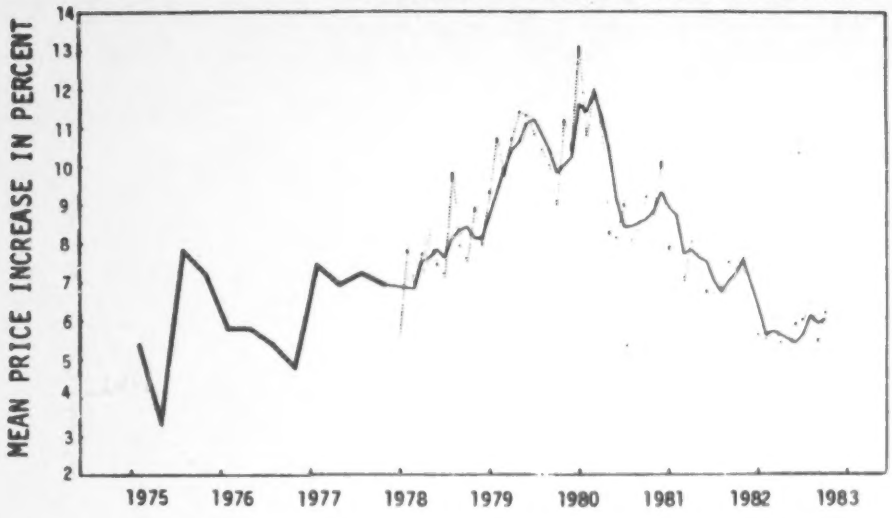
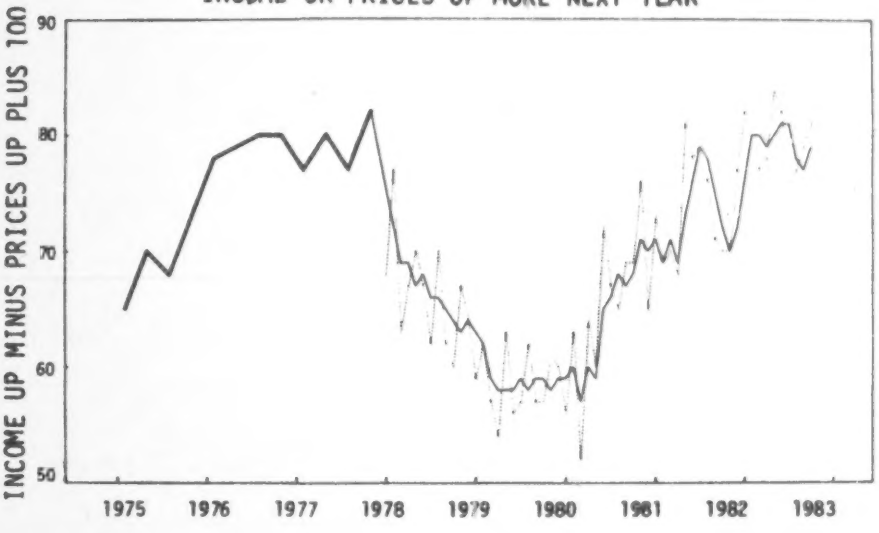


CHART 30

INCOME OR PRICES UP MORE NEXT YEAR

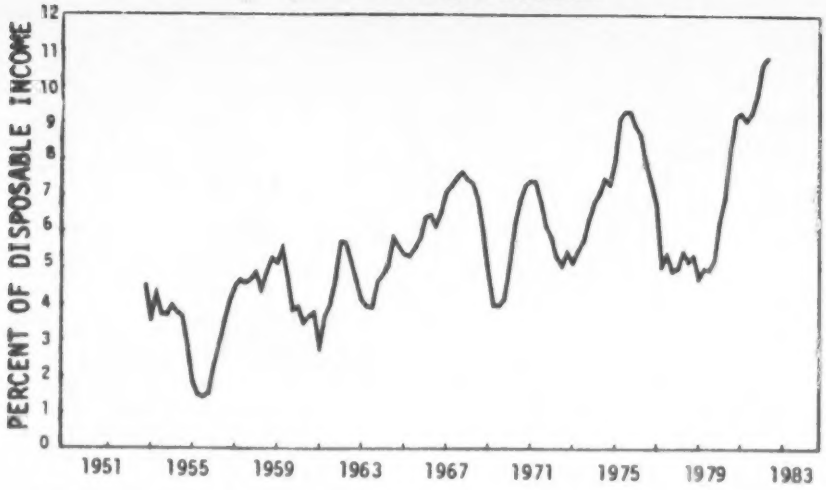


The questions were: "During the next 12 months, do you think that prices in general will go up, or go down, or stay where they are now?" and "By about what percent do you expect prices to go up, on the average, during the next 12 months?"

"How about the next year or two--do you expect that your (family) income will go up more than prices will go up, about the same, or less than prices will go up?"

CHART 31

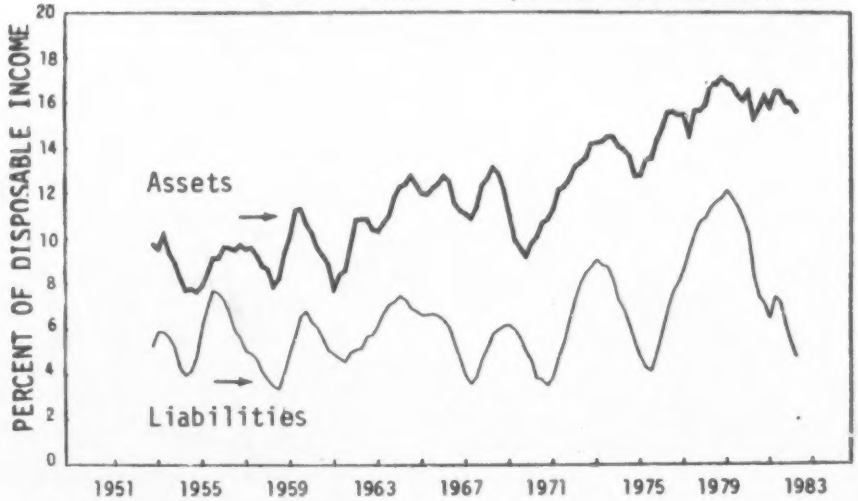
FRB NET SAVING RATE
4 QUARTER MOVING AVERAGE



Source: Federal Reserve Board

CHART 32

NET ACQUISITION OF FINANCIAL ASSETS AND LIABILITIES
AS A PERCENT OF INCOME - 4 QUARTER MOVING AVERAGE



Source: Federal Reserve Board

CHART 33

SAVING RATE - NIA AND FRB BASIS
FOUR QUARTER MOVING AVERAGES

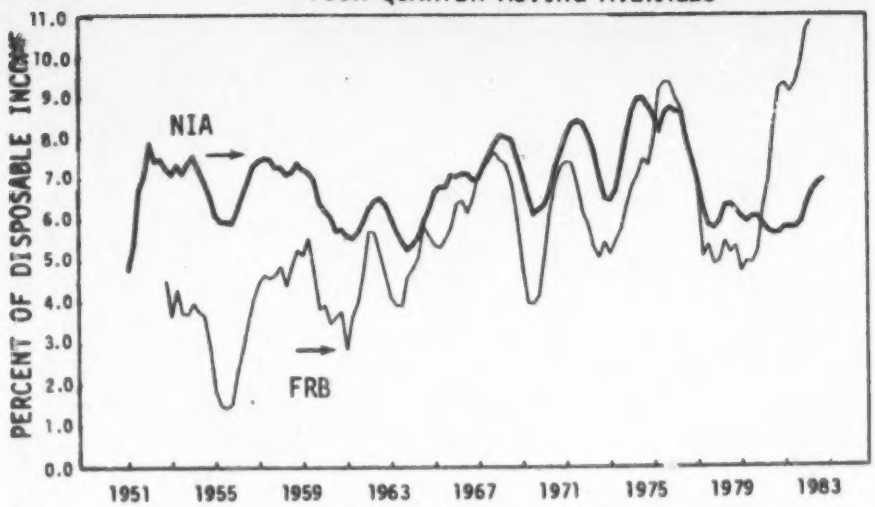


CHART 34

DIFFERENCE BETWEEN NIA AND FRB SAVING RATES
FOUR QUARTER MOVING AVERAGE

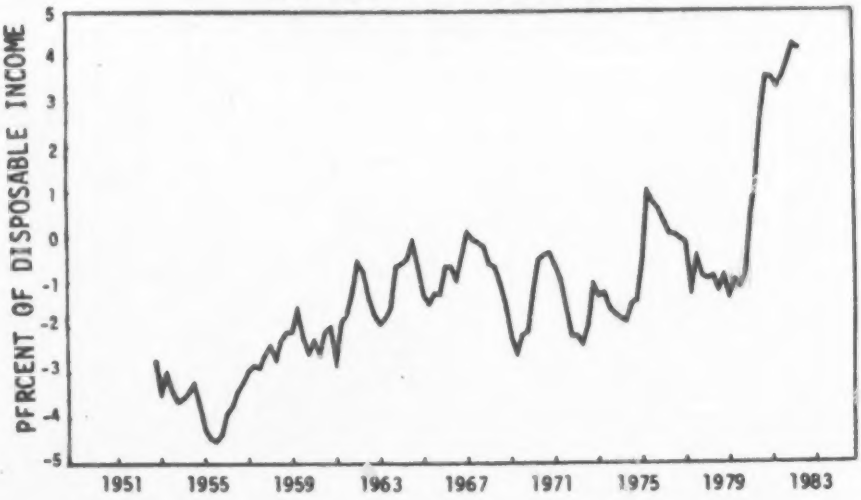


TABLE D

FLOW OF FUNDS ACCOUNTS, SECTOR DISCREPANCIES
(Billions of Current Dollars)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
FRB Saving	44.2	58.1	73.2	102.1	87.9	64.5	78.6	86.6	168.2	199.5	223.5
NIA Saving	52.6	79.0	85.1	94.3	82.5	78.0	89.4	96.7	106.2	130.2	141.8
Difference	-8.4	-20.9	-11.9	7.8	5.4	-13.5	-10.8	-10.1	62.0	69.3	81.7
Sector Discrepancies											
All Sectors	-4.7	-.3	0.2	4.6	3.3	-.6	11.6	1.7	-30.3	8.6	15.8
Households	-9.0	0.4	-1.8	-16.8	-24.6	-16.7	-25.7	-33.5	-67.0	-71.2	-66.4
Business	2.4	0.5	*	6.0	9.0	14.7	21.2	-.8	8.1	34.1	71.5
Government	5.1	3.9	4.2	9.5	13.1	11.1	11.1	17.6	10.5	23.1	4.0
Financial	-1.3	-3.1	0.1	0.3	-3.8	-6.6	-6.6	-9.4	-5.6	-4.7	-8.7
Foreign	-1.9	-2.0	-2.4	5.7	9.6	-2.9	11.5	27.8	23.7	27.2	15.5

*Less than $1 billion.

Source: Federal Reserve Board

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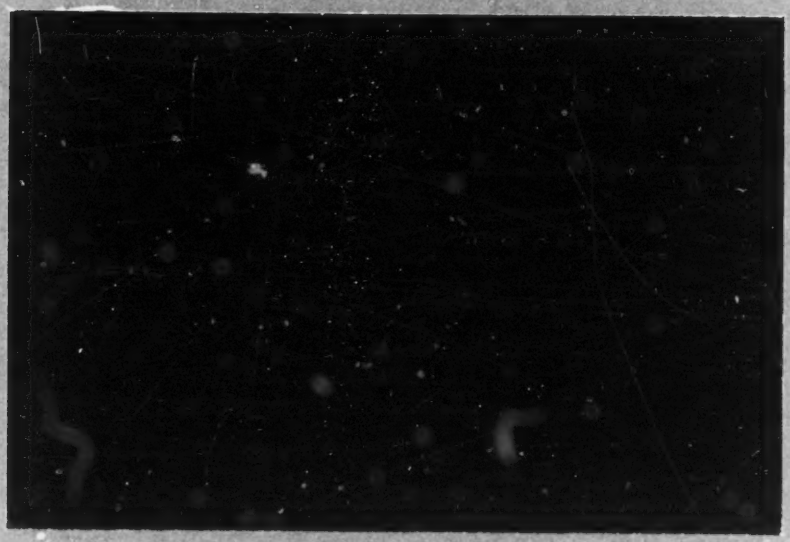
SURVEYS OF CONSUMER ATTITUDES



MONITORING ECONOMIC CHANGE PROGRAM

SURVEY RESEARCH CENTER
UNIVERSITY OF MICHIGAN

Institute for Social Research

PAYMENT METHOD COSTS: ASSESSMENTS BY RETAILERS

by

Richard T. Curtin

September 1983 WP18

This study was funded by the Federal Reserve Board as part of a Congressionally mandated evaluation of the Cash Discount Act of 1981. The Survey Research Center at the University of Michigan conducted the nationally representative survey of retailers between April 18 and May 20, 1983. This report reflects solely the research and analysis of the Survey Research Center not that of the Federal Reserve Board. The successful completion of this research was made possible by Mary Grace Moore, whose expert skills helped to improve all aspects of the study, from qeustionnaire design to data analysis. Steve Heeringa was the sampling statistician, Nancy Gebler supervised interviewing, and Joan Scheffler supervised the coding operation.

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HIGHLIGHTS

* This study was based on a sales-weighted nationally representative sample of all non-food retail establishments, excluding vehicle dealers.

* The vast majority of retailers surveyed accepted cash (almost 100 percent), personal checks (96 percent), and one or more third-party credit cards (82 percent). Although each payment method was widely accepted, credit card sales accounted for just 10% of total sales, while cash and personal checks combined accounted for 60% of total sales.

* In sharp contrast to third party credit cards, store credit cards were accepted by just 11 percent of all retailers; but among retailers that had store credit cards, 34% of total sales were accounted for by this payment method.

* Few retailers monitored or estimated cost differences for the various payment methods they accepted (14 percent). Even among firms with annual sales volumes over $5 million, only 31 percent monitor some cost differences, and just 17 percent monitor all types of costs.

* As a percentage of the average transaction size, the costs of accepting cash were lowest (2.0%), closely followed by personal checks (2.5%), with third-party credit cards the most expensive payment method to accept (4.0%).

* Higher costs incurred by accepting personal checks mainly involved loss from bad checks, most frequently mentioned by the largest retailers in terms of annual sales volume. The largest retailers were also the most likely to report paying check verification fees.

* The much higher reported cost of accepting third-party credit cards was chiefly due to card fees and charges, although point-of-purchase costs were also higher. In comparison with personal checks, the cost disadvantage of third-party credit card sales was least among the largest retailers, for whom credit cards provided significant reductions in losses due to bad checks. Importantly, for retailers using a check verification service, the median fee charged was 3.0%, identical to the reported median third-party credit card fee.

* When asked why they accepted third-party credit cards despite their relatively higher costs, the dominant responses given by retailers involve revenue not cost considerations: 44 percent mentioned customer convenience, and an additional 40 percent thought acceptance of third-party credit cards encouraged sales.

* Among all retailers surveyed, 10 percent offered a discount for payment in cash instead of using a third-party credit card. The median discount offered was 4.0%. Among retailers that offered cash discounts, the majority were either gasoline stations (39 percent) or furniture stores (27 percent).

* The majority of retailers thought that offering discounts for payments in cash was a bad idea (57 percent), and the majority also thought adding an extra fee or surcharge to credit cards sales was a bad idea (71 percent). When asked whether they would prefer a cash discount or a credit surcharge, almost half of all retailers surveyed would prefer neither one (47 percent), with 29 percent preferring cash discounts and 22 percent preferring credit surcharges.

1. SAMPLE DESIGN

This study of payment method costs was based on a telephone survey of a nationally representative sample of non-food retail establishments, excluding motor vehicle dealers. Individual retailers were selected with probabilities proportionate to their share of total annual retail sales. Consequently, the response distributions given in this report represent total dollar sales, not the total number of retailers. The reported percentages of sample respondents giving one or another answer is equivalent to the proportion of total dollar sales represented by those same retailers.

Selection of Retailers

The study population includes all retail establishments in the coterminous United States with a primary SIC code from one of the following two, three, and four digit categories: SIC 52 (excluding 527), 53, 553, 554, 56, 57, 591, 594, 5961, 5983, 5984, and 5992. Table 1.1 gives the definition of each SIC code included in the sample, as well as the excluded codes. The major exclusions involved food (SIC 54, 58, 592) and vehicle sales (SIC 527, 551, 552, 555, 556, 557, 559). Overall, the sample design is representative of approximately half of all retail sales and approximately half of all retail establishments (see Table 1.2).

Sample establishments were selected using a two-step procedure. First, a sample of establishments was provided by Dun & Bradstreet Corporation from its master list, using specifications provided by SRC. The set of specifications which SRC provided Dun & Bradstreet yielded more sample establishment records than were actually needed for the final study. The oversize sample permitted SRC to implement refinements of the stratification in a subsequent selection of the final study sample. Under the sample design, individual establishments were selected with a

probability proportionate to annual sales for the most recent fiscal year (see Table 1.2).

All firms and establishments were assigned to one of five strata on the basis of annual sales: 1) Less than $50,000 in annual sales; 2) $50,000-499,999; 3) $500,000-5,000,000; 4) $5,000,000-99,000,000; and 5) annual sales of $100,000,000 or more. Within stratum 5, retailers with $700,000,000 or more in annual sales entered this sample with certainty. For stratum 1, the sample size was set disproportionately high to guarantee that a reasonable number of retail firms would be included so as to enhance analysis of smaller firms. In all other strata, firms and establishments were sampled systematically and with probabilities proportionate to annual sales. Prior to selecting the sample, the frame for each stratum was sorted first by SIC code and then by sales volume within SIC group. This systematic sampling procedure in conjunction with the ordered frame produces an implicit stratification of the sample by SIC group and sales within SIC group.

As a result, with the exception of stratum 1 and the self-representing firms of stratum 5, each sample selection represents a fixed, equal amount of sales dollars. Since stratum 1 establishments were sampled at a disproportionately higher rate, a compensating weight must be applied to stratum 1 observations before they are included in any cross-strata analysis. The value of this stratum 1 weight factor across strata analysis was 0.1. Simple stratum-by-stratum analysis of the data will yield unbiased study estimates. These estimates will implicitly introduce a "per dollar of retail sales" emphasis to the analysis of survey statistics.

Table 1.3 shows the original number of retailers selected and interview disposition within each of the 5 strata. Interviews were conducted with 713 retail firms at sole locations or headquarters with an overall response rate of 82%. Only among stratum 5 retailers was the response rate lower than the overall average. The largest retailers more frequently refused to grant an interview (often a matter of

corporate policy), and were also more likely to delay the interview pending approval by corporate officials, thus resulting in an non-interview due to time constraints. Each interview was conducted by telephone with the person most knowledgeable about payment method costs at the sole or headquarters location.

The distribution by SIC code of retail firms which completed interviews is given in Table 1.4. Differences in annual sales volume and average transaction size are also shown for each type of retailer. Because of the importance of both total sales volume and average transaction size in determining payment method costs, most survey results are reported by these stratifications. The relationship between annual sales volume and average transaction size is shown in Table 1.5, which indicates little systematic association.

Sampling errors arise because only a fraction of the population is selected. The magnitude of the sampling error depends on the size of the sample, its stratification, and the magnitude of the reported percentage in question. In general, Table 1.6 indicates that, for the total sample, sampling errors greater than 4.0% will occur by chance in less than five cases out of one hundred.

2. PAYMENT METHODS ACCEPTED

In addition to cash, the vast majority of retailers accept payment by personal checks (96 percent) and third-party credit cards (82 percent). All three payment methods were accepted by 79 percent of all retailers (Table 2.1). Just one percent of all retailers included in this study accepted only cash in payment; an additional 15 percent accepted payment only by cash or personal check. In terms of the sales volume transacted by the different payment methods accepted, third-party credit cards accounted for just 10 percent of sales volume, compared with 30 percent each for cash and personal check payment. Cash payments accounted for a greater proportion of sales more among retailers with the smallest average transaction size,

while personal checks and third-party credit cards accounted for higher proportions of sales among firms with the largest average transaction sizes.

Although personal checks and third-party credit cards were widely accepted, some retailers imposed limits on their use. Among all retailers that accepted personal checks, 51 percent reported that they imposed limits on their use, aside from requirements of proper identification (Table 2.2). The most common limitations involved acceptance of local checks only, and amounts equal to or a specified amount above the purchase (Table 2.3). Limits on the use of third-party credit cards were reported less frequently, by 25 percent of all retailers that accepted these credit cards. The major limitations involved the requirement of authorization from the credit card company, as well as limits on the purchase amount (both minimum and maximum). Limitations on either the use of personal checks or third-party credit cards were reported less frequently by retailers with the largest average transaction size.

3. PAYMENT METHOD COSTS

The various costs associated with the different methods of payment were neither clearly identified nor accurately measured by the majority of retailers studied. Only 14 percent of all retailers reported that they estimated or monitored cost differences for the various payment methods that they accepted (Table 3.1). Monitoring differences in payment method costs was least frequent among the retail firms with the smallest annual sales volume (5 percent) and most frequent among the largest firms (31 percent). But even among the largest retailers, only 17 percent reported monitoring <u>all</u> types of costs associated with the various payment methods they accepted.

Because few retailers maintain records of actual or estimated costs, the questionnaire was designed to elicit the necessary information through judgements made by the most knowledgeable representative of the retail firm. Multiple measures

were devised to estimate overall costs for each payment method accepted, the most important cost components for each payment method, as well as method-by-method comparisons of the various types of costs associated with each payment method.

For the purposes of this study, costs associated with the acceptance of the various payment methods were categorized as follows:

> Point-of-sales and accounting costs. This includes equipment and personnel costs for writing sales slips, making change, obtaining verification and approval for checks and credit cards, reconciling daily receipts, record keeping, and other point-of-sale costs.
>
> Loss, theft, safekeeping and security costs. The second category of costs includes loss or theft of cash, bad or returned checks, credit card fraud, bonding and insurance fees, safekeeping and other security costs.
>
> Deposit costs and fees paid to financial institutions. Included in the third category are bank service charges for deposits, costs to take the deposits to banks, and costs associated with the delayed receipt of funds. In addition, check verification and third-party credit card fees were measured separately.

Overall Cost Estimates

Estimates provided by retailers of the total costs incurred for each payment method accepted are given in Table 3.2. The costs incurred by retailers were lowest for cash payments (2.0%), somewhat higher for personal checks (2.5%), and highest for third-party cards (4.0%). Payment method costs are shown as a percentage of the average transaction size. The typical amount purchased was lowest when payment was made by cash ($25), compared with payments made by personal checks ($37) and third party credit cards ($40).

Most Important Costs

All retailers were asked to describe in their own words the most important cost associated with the various payment methods they accepted. When questioned about cash payments, 54 percent of all retailers mentioned point-of-purchase costs as the most important for accepting cash payments (Table 3.3). When questioned about costs for accepting personal checks, 42 percent of retailers mentioned point

of purchase costs, while loss and security costs were mentioned by 23 percent, higher than for either cash or third-party credit cards (Table 3.4). Comparisons by retailer size, show that loss and security costs were more frequently mentioned by the largest retailers (34 percent) than by the smallest (18 percent). When asked about third-party credit cards the most important cost identified was credit card fees, mentioned by 43 percent of all retailers (Table 3.5). Point-of-purchase costs were mentioned as the most important for accepting third-party credit cards by 32 percent.

Method-by-Method Comparisons

Personal Checks Versus Cash. Among all retailers, 55 percent thought that overall costs for accepting personal checks were higher than for cash payments (Table 3.6). Just one percent rated overall costs for cash payments higher than for payments by personal check. The major factor involved higher loss and security costs for personal checks, cited by 56 percent of all retailers. The reported difference in loss and security costs was greatest among retailers with the largest annual sales volume and those with the lowest average transaction size. In terms of overall costs, the largest difference between checks and cash was recorded among retailers with annual sales volumes of $5 million or more, which resulted from both greater loss and security costs as well as more frequent instances of check verification fees.

Third Party Credit Cards Versus Cash. Among all retailers, 87 percent reported that overall costs for accepting payment by third-party credit cards were higher than for cash payments (Table 3.7). The major factors behind this cost differential were third party credit card fees as well as higher point-of-purchase costs for third-party cards, mentioned by 78 percent of all retailers. Differences in point of purchase costs were greatest among retailers with the smallest average

transaction size, while third-party credit card fees were highest among retailers with the smallest annual sales volume.

Third-Party Credit Cards Versus Personal Checks. Among all retailers, 59 percent thought that payments made by third-party credit cards cost more than payments made by personal check, while 12 percent thought that third-party credit cards were less expensive than checks (Table 3.8). Somewhat higher point of purchase costs for third-party credit cards contributed to this difference, although the major underlying cost differences involved third-party credit card fees. Importantly, loss and security costs were more often judged lower than higher for third-party credit cards. Among retailers with the largest annual sales volume, the overall cost difference between third party credit cards and personal checks was the smallest, resulting from two off-setting trends: the largest volume retailers paid the lowest third-party credit card fees, but were also much more likely to pay check verification fees.

Overall Rankings. The most common ranking of costs for the different payment methods, reported by 31 percent of all retailers, placed third-party credit cards as most expensive, followed by personal checks, and cash payments as the least expensive (Table 3.9). An additional 25 percent of all retailers rated third-party credit cards more expensive than personal checks, with the cost of personal checks being equal to the costs incurred by cash payments. Combined, these two rank orders alone account for more than half of all responses (56 percent). Interestingly, the largest retailers in terms of sales volume were more likely to judge third-party credit cards and personal checks equally as expensive, and both more expensive than cash payment. Among all retailers that accepted cash, personal checks, and third-party credit cards, third-party credit cards were rated most expensive by 69 percent, whereas cash payments were rated least expensive by 79 percent (Table 3.10). In terms of overall costs, personal checks were more frequently rated least

expensive among the smallest retailers, while the largest retailers more frequently rated personal checks as the most expensive. In terms of the individual cost categories, point of purchase costs were greatest for third-party credit cards, loss and security costs were greatest for personal checks, and financial and deposit costs were highest for third-party credit cards.

Acceptance Despite Costs

Given the relatively higher costs of accepting third-party credit cards, retailers were directly asked why it was worthwhile for their business to accept credit cards (Table 3.11). In response, retailers mentioned two major factors: credit cards provided a convenience that customers wanted (44 percent), and helped encourage sales (40 percent). The medium sized retailers and those that had the highest average transactions were somewhat more likely to mention customer convenience, while the largest retailers were somewhat more likely to mention that credit cards encouraged sales.

Retailers that did not accept any type of third party credit card were also asked why they chose to adopt this practice (Table 3.12). As might be expected, the most common reason given for not accepting third-party credit cards involved the associated fee and charges (54 percent). Importantly, the second most frequent response involved retailers' perceptions that there was insufficient or no demand for credit card use by their customers (35 percent).

4. CASH PREFERENCES AND CASH DISCOUNTS

Preferred Method of Payment

Each retailer surveyed was asked to identify which payment method they preferred their customer use for one additional sale as well as to accommodate an annual sales increase of 25 percent. In both cases, payment by cash was the overwhelming preference: 86 percent preferred payment by cash for an additional

sale, and 83 percent preferred to have the additional sales by cash payment (Table 4.1). Cash was somewhat less frequently preferred by the largest retailers, and by retailers with the highest average transaction size. Payment by credit cards (both store and third-party) was somewhat more frequently preferred by the largest retailers, while payment by personal checks was somewhat more frequently preferred by retailers with the highest average transaction size.

The major reason, given by 74 percent of all retailers, for their preference for cash in payment involved the lessening of risk (Table 4.2). Other factors mentioned include avoidance of deposit and credit card fees (31 percent), better cash flow (24 percent), and less paperwork, and lower accounting and other costs (16 percent). When asked about a 25 percent sales volume increase, preferences for payments made by cash were still based, but less frequently, on lower risk (46 percent), and, more frequently, on cash flow advantages (33 percent). Overall, preferences for payments made by personal check were justified by lessened risk as frequently as were preferences for cash. In addition, preferences for personal checks drew more references to lower costs.

Cash Discounts

Among all retailers, 10 percent now offer discounts to customers for payment in cash instead of credit cards (Table 4.3). Among retailers that now offer discounts, the median discount offered was 4.0%, which was received by 50 percent of all their customers. Most retail firms offered the discount for payment both in cash and by personal check, the discount being given automatically to all customers. The size of the discount was most frequently determined by the cost of credit card sales (Table 4.4). Interestingly, the most common assessment of the discount was that it left overall costs and overall sales volume unchanged. Discounts were offered somewhat more frequently by retailers with the smallest average transaction size as well as among retailers in the middle annual sales volume category.

Among retailers that now offer cash discounts, the majority were either gasoline service stations (39 percent) or furniture stores (27 percent). Competitive pressures played an important role in whether retailers currently offer discounts for cash payment. Among retailers that now offer cash discounts, 68 percent reported that some or all of their competitors also offered discounts (Table 4.7). In sharp contrast, among retailers that do not offer discounts for cash payments, just 10 percent of their competitors now offer discounts.

In comparison with the proportion that now offers discounts, more than twice as many either had discontinued offering cash discounts (4 percent) or after explicit consideration had decided not to offer discounts (18 percent). The most common reasons given for discontinuing or deciding against offering cash discounts involved explicit references to decreased profits, decreased sales, or increased costs (Table 4.5). Retailers with the largest annual sales volumes were somewhat more likely to have decided against offering discounts for payments in cash.

5. ATTITUDES TOWARD DISCOUNTS AND SURCHARGES

When retailers were asked their opinions about offering a discount to customers that paid using cash instead of a credit card, the majority (57 percent) thought offering cash discounts was a bad idea (Table 5.1). This unfavorable attitude toward cash discounts was widespread across retailers with different sales volumes and average transactions sizes. The most frequent reason given by retailers for their unfavorable view of cash discounts involved their perceptions that customers would not like its introduction (21 percent) or that it would decrease sales (7 percent). In addition, retailers also mentioned that a discount for cash payments would decrease profits (15 percent), or increase costs (13 percent). Among retailers that favored offering discounts for cash, the most common reason was that it would decrease costs (15 percent) or increase profits (6 percent). In addition,

some retailers thought that customers would prefer the discount (9 percent), or that sales would increase (8 percent).

Retailers were also asked about their opinions toward adding an extra fee or surcharge when customers used credit cards to make purchases. Among all retailers, 71 percent thought that a surcharge for credit card purchases was a bad idea (Table 5.2). The major reasons given for this view involved their perceptions that customers would not like the surcharge (39 percent) or that it would decrease sales (23 percent). Among retailers that thought surcharges for credit purchases was a good idea, the most common reasoning involved the normative response that customers should pay the cost (18 percent).

In addition to the specific questions on discounts and surcharges, retailers also were asked whether they would prefer to use a cash discount, a credit surcharge, or neither (Table 5.3). In response, the most common answer given by retailers was that they would prefer that neither be implemented (47 percent). Offering a discount for cash payments was somewhat more frequently preferred (29 percent) than a surcharge for credit use (22 percent).

TABLE 1.1

SURVEY COVERAGE OF RETAIL FIRMS

SIC Code		Survey Coverage	
		Included	Excluded
52	BUILDING MATERIALS & GARDEN SUPPLIES		
521	Lumber and Other Building Materials	X	
523	Paint, Glass, and Wallpaper Stores	X	
525	Hardware Stores	X	
526	Retail Nurseries and Garden Stores	X	
527	Mobile Home Dealers		X
53	GENERAL MERCHANDISE STORES		
531	Department Stores	X	
533	Variety Stores	X	
539	Misc. General Merchandise Stores	X	
54	FOOD STORES		
541	Grocery Stores		X
542	Meat Markets and Freezer Provisioners		X
543	Fruit Stores and Vegetable Markets		X
544	Candy, Nut, and Confectionery Stores		X
545	Dairy Product Stores		X
546	Retail Bakeries		X
549	Miscellaneous Food Stores		X
55	AUTOMOTIVE DEALERS & SERVICE STATIONS		
551	New and Used Car Dealers		X
552	Used Car Dealers		X
553	Auto and Home Supply Stores	X	
554	Gasoline Service Stations	X	
555	Boat Dealers		X
556	Recreation & Utility Trailer Dealers		X
557	Motorcycle Dealers		X
559	Automotive Dealers, nec		X

TABLE 1.1 (continued)

SIC Code		Survey Coverage	
		Included	Excluded
56	APPAREL AND ACCESSORY STORES		
561	Men's & Boys' Clothing & Furnishings	X	
562	Women's Ready-to-Wear Stores	X	
563	Women's Accessory and Specialty Stores	X	
564	Children's and Infants' Wear Stores	X	
565	Family Clothing Stores	X	
56	APPAREL AND ACCESSORY STORES (continued)		
566	Shoe Stores	X	
568	Furriers and Fur Shops	X	
569	Miscellaneous Apparal & Accessories	X	
57	FURNITURE AND HOME FURNISHINGS STORES		
571	Furniture and Home Furnishings Stores	X	
572	Household Appliance Stores	X	
573	Radio, Television, and Music Stores	X	
58	EATING AND DRINKING PLACES		
581	Eating and drinking places		X
59	MISCELLANEOUS RETAIL		
591	Drug Stores and Propietary Stores	X	
592	Liquor Stores		X
593	Used Merchandise Stores		X
594	Miscellaneous Shopping Goods Stores	X	
5961	Mail Order Houses	X	
5962	Merchandising Machine Operators		X
5963	Direct Selling Organizations		X
5982	Ice Dealers		X
5983	Fuel Oil Dealers	X	
5984	Liquified Petroleum Dealers	X	
5992	Florists	X	
5993	Cigar Stores		X
5994	Newsstands		X
5999	Miscellaneous		X

TABLE 1.2

TOTAL ANNUAL SALES AND TOTAL ESTABLISHMENTS BY SALES CATEGORY FOR ALL RETAIL WITH PAYROLL, STUDY RETAIL WITH PAYROLL AND ALL STUDY RETAIL ESTABLISHMENTS[1]

Annual Sales (In $1000's)	Retail w/Payroll		Study Retail w/Payroll		Study Retail All Establishments	
	Amount	Cumulative Percent	Amount	Cumulative Percent	Amount	Cumulative Percent
	Total Sales (In millions of dollars)					
< 10	742	.1	20	-	355	.1
10 - 20	1,562	.3	117	-	698	.3
20 - 30	2,145	.7	344	.3	935	.6
30 - 50	5,607	1.5	1,299	.7	2,378	1.4
50 - 100	17,722	4.1	5,682	2.5	7,718	3.8
100 - 300	80,917	15.9	42,209	16.1	45,018	18.0
300 - 500	65,854	25.5	39,526	28.9	40,187	30.6
500 - 1000	87,618	38.4	53,829	46.3	53,829	47.5
1000 - 2000	77,868	49.8	40,971	59.5	40,972	60.4
2000 - 5000	126,552	68.3	41,088	72.8	41,088	73.3
5000+	216,752	100.0	84,770	100.0	84,769	100.0
Total	683,339	100.0	309,855	100.0	317,947	100.0
	Total Establishments					
< 10	5,708	.5	2,999	.5	64,714	8.1
10 - 20	17,585	2.1	7,656	1.8	49,393	14.3
20 - 30	30,816	4.8	13,890	4.2	38,280	19.2
30 - 50	75,626	11.6	32,700	9.7	60,782	26.8
50 - 100	175,406	27.3	77,562	22.8	106,710	40.2
100 - 300	400,119	63.0	223,331	60.6	241,470	70.6
300 - 500	167,407	78.0	102,740	78.0	104,494	83.7
500 - 1000	127,404	89.4	78,427	91.3	78,427	93.5
1000 - 2000	56,443	94.4	30,179	96.4	30,179	97.3
2000 - 5000	40,350	98.1	13,990	98.8	13,990	99.1
5000+	21,741	100.0	7,129	100.0	7,129	100.0
Total	1,118,605	100.0	590,603	100.0	795,568	100.0

[1] Statistics from the 1977 Census of Retail Trade, U.S. Department of Commerce.

TABLE 1.3

SAMPLE SIZE AND RESPONSE RATES

	Total Sample		Completed Interviews		Refusals		Non-Interviews	
Stratum	Number	Rate	Number	Rate	Number	Rate	Number	Rate
1	76	100%	63	83%	5	7%	8	10%
2	245	100%	203	83%	17	7%	25	10%
3	367	100%	302	82%	28	8%	37	10%
4	118	100%	97	82%	7	6%	14	12%
5	68	100%	48	71%	9	13%	11	16%
Total	874	100%	713	82%	66	7%	95	11%

TABLE 1.4

TYPES OF RETAIL ESTABLISHMENTS INCLUDED IN THE SURVEY

		Annual Sales Volume (thousands)			Average Transaction Size		
	All	Less than $500	$500-$5,000	More than $5,000	Less than $20	$20-50	More than $50
Building materials & garden supplies [5211,5231,5251,5261]	16%	9%	23%	11%	20%	13%	16%
General merchandise stores [5311,5331,5399]	10	7	4	26	14	15	2
Auto & home supply stores [5531]	5	6	5	3	4	4	5
Gasoline service stations [5541]	14	12	14	15	23	17	3
Apparel & accessory stores [5611,5621,5631,5641,5651, 5661,5699]	11	15	9	12	2	21	13
Furniture & home furnishings stores [5712,5713,5714, 5719,5722,5732,5733]	19	21	21	10	5	6	38
Drug stores & proprietary stores [5912]	7	8	7	6	17	3	*
Miscellaneous shopping goods stores [5941,5942,5943,5944, 5945,5946,5947,5949]	12	17	11	8	11	14	12
Mail order houses [5961]	1	1	*	3	1	1	1
Fuel oil dealers [5983]	3	1	3	5	2	1	7
Liquified petroelum gas dealers [5984]	1	1	1	1	*	2	1
Florists [5992]	1	2	2	*	1	3	2
Total	100%	100%	100%	100%	100%	100%	100%
Cases	713	266	302	145	240	195	205

TABLE 1.5

CORRELATION OF ANNUAL SALES VOLUME AND AVERAGE TRANSACTION SIZE

	Annual Sales Volume (thousands)				
Average Transaction Size	Less than $500	$500-$5,000	More than $5,000	Total	Cases
Less than $20	11%	14%	7%	32%	240
$20-50	9	10	8	27	195
More than $50	9	17	5	31	205
Don't know	3	5	2	10	73
Total	32	46	22	100%	
Cases	266	302	145		713

TABLE 1.6

APPROXIMATE STANDARD ERRORS OF A SIMPLE RANDOM SAMPLE*

(In percentages by size of total sample and sales volume strata)

Sales Volume Strata (thousands)	Number of Interviews	Reported Percentages				
		50	30 or 70	20 or 80	10 or 90	5 or 95
All	713	3.8	3.4	3.0	2.2	1.6
$500-5,000	302	5.8	5.2	4.6	3.4	2.6
Less than $500	266	6.2	5.6	5.0	3.6	2.6
More than $5,000	145	8.4	7.6	6.6	5.0	3.6

*The figures in this table represent two stnadard errors. For a simple random sample the chances are 95 out of 100 that the value being estimated lies within a range equal to the reported percentage, plus or minus two standard errors.

APPROXIMATE SAMPLING DESIGN EFFECT OF STRATIFIED RANDOM SAMPLE WITH WEIGHTS*

Sales Volume Strata (thousands)	Approximate Sampling Design Effect
All	1.03
Less than $500	1.12
$500-5,000	1.00
More than $5,000	1.00

*The figures in this table represent constant factors which should be multiplied by the standard error estimates in the table above for the corresponding strata to yield an improved approximation of the standard errors for a stratified random sample with weights.

APPROXIMATE STANDARD ERRORS OF SURVEY FINDINGS*

(In percentages by size of total sample and sales volume strata)

Sales Volume Strata (thousands)	Number of Interviews	Reported Percentages				
		50	30 or 70	20 or 80	10 or 90	5 or 95
All	713	3.9	3.5	3.1	2.3	1.6
$500-5,000	302	6.5	5.8	5.2	3.8	2.9
Less than $500	266	6.2	5.6	5.0	3.6	2.6
More than $5,000	145	8.4	7.6	6.6	5.0	3.6

*The figures in this table represent two standard errors multipled by a design effect factor. Hence for the stratified random sample used in this study, the chances are 95 out of 100 that the value being estimated lies within a range equal to the reported percentage, plus or minus two standard errors.

TABLE 2.1

TYPES OF PAYMENT METHODS ACCEPTED

		Annual Sales Volume (thousands)			Average Transaction Size		
Cash	All	Less than $500	$500-$5,000	More than $5,000	Less than $20	$20-50	More than $50
Accept	100%	99%	100%	100%	100%	100%	100%
1-33% sales	51	43	57	50	37	49	66
34-66% sales	32	37	32	25	35	37	27
67-100% sales	15	17	11	22	28	14	7
DK % sales	2	2	*	3	*	*	*
(Median % Sales)	(30)	(40)	(30)	(31)	(43)	(33)	(25)
Do not accept	*	1	*	*	*	*	*
Total	100%	100%	100%	100%	100%	100%	100%
Cases	713	266	302	145	240	195	205
Personal Checks							
Accept	96%	98%	97%	93%	94%	97%	99%
1-33% sales	53	52	53	57	66	60	39
34-66% sales	30	32	32	22	24	30	37
67-100% sales	11	12	11	11	3	6	23
DK % Sales	2	2	1	3	1	1	*
(Median % Sales)	(30)	(30)	(30)	(25)	(20)	(25)	(40)
Do not accept	4	2	3	7	6	3	1
Total	100%	100%	100%	100%	100%	100%	100%
Cases	713	266	302	145	240	195	205
Third Party Credit Card							
Accept	82%	78%	81%	87%	80%	87%	81%
1-33% sales	71	70	68	79	77	72	68
34-66% sales	9	6	12	6	3	14	11
67-100% sales	1	1	1	1	*	1	2
DK % sales	1	1	*	1	*	*	*
(Median % sales)	(10)	(10)	(10)	(10)	(6)	(15)	(15)
Do not accept	18	22	19	13	20	13	19
Total	100%	100%	100%	100%	100%	100%	100%
Cases	713	266	302	145	240	195	205
Store Credit Cards							
Accept	11%	8%	7%	26%	12%	19%	6%
1-33% sales	5	6	3	10	9	6	3
34-66% sales	5	2	3	14	3	11	3
67-100% sales	1	*	1	1	*	2	*
DK % sales	*	*	*	1	*	*	*
(Median % Sales)	(34)	(25)	(40)	(42)	(20)	(46)	(35)
Do not accept	89	91	93	74	88	81	94
Total	100%	100%	100%	100%	100%	100%	100%
Cases	713	266	302	145	240	195	205

TABLE 2.1 (continued)

Other Payment Methods	All	Annual Sales Volume (thousands) Less than $500	$500-$5,000	More than $5,000	Average Transaction Size Less than $20	$20-50	More than $50
Accept	50%	44%	58%	47%	60%	45%	49%
1-33% sales	34	33	36	34	36	32	38
34-66% sales	9	7	11	6	10	6	10
67-100% sales	5	1	9	4	11	3	1
DK % sales	2	3	2	3	3	4	*
(Median % Sales)	(20)	(15)	(20)	(7)	(25)	(10)	(10)
Do not accept	50	56	42	53	40	55	51
Total	100%	100%	100%	100%	100%	100%	100%
Cases	713	266	302	145	240	195	205
Other Payment Methods Accepted							
Store credit plan (no card issued)	37%						
Business check, money order, traveler's check	4						
Bank, finance company	4						
Layaway	4						
Other	5						
No other method accepted	50						
Total	a						
Cases	713						
Combinations of Payment Methods Accepted[1]							
Cash only	1	*	1	3	2	*	*
Cash & Check only	15	21	16	6	15	10	18
Cash, Check & 3rd-Party Credit Card	70	68	75	64	68	68	75
Cash, Check, & Store Credit Card	2	1	1	3	2	3	1
Cash, Check & Both Store & 3rd-Party Credit Card	9	8	5	20	9	16	5
Cash & Any Credit Card (no check)	3	2	2	4	4	3	1
Total	100%	100%	100%	100%	100%	100%	100%
Cases	713	266	302	145	240	195	205

*Less than .01 percent.

[1]Excludes payment methods other than cash, checks, and credit cards.

[a]May add to more than 100% due to multiple mentions.

(See next page for questions asked)

TABLE 2.1 (continued)

The questions were: "We are interested in the various means that customers use to buy merchandise from your business--such as cash, checks, or credit cards.

"First, I assume that you accept cash in payment. Is that correct?"

"Do you ordinarily accept personal checks in payment for merchandise?"

"Do you issue your own store credit card or use a 'private label' credit card with the store name on it?"

"Does your business accept any other credit cards for payment, such as VISA, Mastercard, American Express, or similar credit cards?"

"Are there any other methods of payment a customer can use to pay for purchases from your business?"

"Thinking about the total sales volume, what proportion is transacted by each of the payment methods you accept? First, what proportion of total sales is transacted using... (cash/personal checks, store credit cards/other credit cards/other methods of payment)?"

TABLE 2.2

LIMITS ON POLICY OF ACCEPTING PAYMENT METHODS

Limits on:	All	Annual Sales Volume (thousands)			Average Transaction Size		
		Less than $500	$500-$5,000	More than $5,000	Less than $20	$20-50	More than $50
Personal Checks							
Yes	51%	53%	43%	66%	60%	59%	39%
No	49	47	57	32	40	41	61
DK, NA	*	*	*	1	*	*	*
Total	100%	100%	100%	100%	100%	100%	100%
Cases	684	257	292	135	222	190	204
Third-Party Credit Cards							
Yes	25%	25%	24%	27%	33%	25%	17%
No	75	74	76	73	67	75	83
DK, NA	*	1	*	*	*	*	*
Total	100%	100%	100%	100%	100%	100%	100%
Cases	559	186	246	127	182	164	163

The questions asked were: "Aside from requirements of proper identification, are there any limits to the policy of accepting personal checks?" "Aside from requirements of verification and proper identification, are there any limits on the use of the other credit cards you accept?"

TABLE 2.3

LIMITS ON POLICY OF ACCEPTING CHECKS OR THIRD PARTY CREDIT CARDS
(Among retailers that impose limits)

Limits	Check	Third Party Card
Authorization Within Establishment:	70%	7%
Personal knowledge of customer required	18	1
Approval needed when purchase is over specified amount	3	3
Checks:		
First party only	9	1
Local only	32	*
Other	8	2
Authorization Outside Establishment:	16%	54%
When purchase is over specified amount	5	41
Other	11	13
Limit on Amount of Purchase	38%	34%
Maximum	12	13
Minimum	2	16
Exact amount or specified amount above purchases	24	5
Limits on type of purchase	1	4
Other	8	7
NA	2	1
Total	a	a
Cases	345	140

*Less than 0.5 percent.

NA = not applicable.

The questions were: "Aside from requirements of proper identification, are there any limits to the policy of accepting personal checks?"
"Aside from requirements of verification and proper identification, are there any limits on the use of the other credit cards you accept?"

[a]May add to more than 100% due to multiple mentions.

TABLE 2.4

PAYMENT METHODS ACCEPTED BY COMPETITORS

Competitors Accept Personal Checks	All	Annual Sales Volume (thousands) Less than $500	$500-$5,000	More than $5,000	Average Transaction Size Less than $20	$20-50	More than $50
Yes	86%	86%	83%	90%	81%	87%	90%
Some accept	3	3	3	3	4	3	2
No	6	5	7	5	10	5	3
DK, NA	5	6	7	2	5	5	5
Total	100%	100%	100%	100%	100%	100%	100%
Cases	713	266	302	145	240	195	205
Competitors Accept Credit Cards							
Yes	81%	75%	81%	89%	76%	90%	81%
Some accept	5	6	5	6	8	3	6
No	9	13	8	4	12	5	10
DK, NA	5	6	6	1	4	2	3
Total	100%	100%	100%	100%	100%	100%	100%
Cases	713	266	302	145	240	195	205

The questions were: "Do you main competitors for customer sales generally accept personal checks in payment for merchandise?" "Do your main competitors accept any credit cards in payment for merchandise?"

TABLE 3.1

MONITORING PAYMENT METHOD COSTS

Monitor Payment Method Cost Differences	All	Annual Sales Volume (thousands) Less than $500	$500-$5,000	More than $5,000	Average Transaction Size Less than $20	$20-50	More than $50
Yes	14%	5%	13%	31%	15%	17%	11%
Point-of-sales and accounting	8	3	7	19	7	12	6
Loss and security	10	2	8	27	10	15	7
Deposit and financial	11	3	9	26	12	15	6
Monitors all three types	7	1	6	17	6	11	4
No	85	94	87	68	82	83	88
Don't know	1	1	*	1	2	*	1
Total	100%	100%	100%	100%	100%	100%	100%
Cases	713	264	300	141	234	194	205

The questions were: "Does your business estimate or monitor cost differences for the various payment methods you accept?" "Does your business estimate or monitor differences in point-of-sale and accounting costs?" "Does your business estimate or monitor differences in loss and security costs?" "Does your business estimate or monitor differences in deposit costs and financial fees?"

TABLE 3.2

MEDIAN TRANSACTION SIZE AND MEDIAN COST
OF ACCEPTING VARIOUS METHODS OF PAYMENT

		Annual Sales Volume (thousands)			Average Transaction Size		
Cash	All	Less than $50	$500-$5,000	More than $5,000	Less than $20	$20-50	More than $50
Median Percent of Sales	30%	40%	30%	31%	43%	33%	25%
Median Transaction Size	$25	$20	$30	$25	$10	$25	$150
Median Percentage Cost	2.0%	2.0%	2.8%	2.0%	2.0%	2.0%	2.0%
Cases	640	238	271	131	228	191	203
Check							
Median Percent of Sales	30%	30%	30%	25%	20%	25%	40%
Median Transaction Size	$37	$28	$50	$35	$15	$34	$200
Median Percentage Cost	2.5%	2.0%	3.0%	3.0%	2.5%	3.0%	2.3%
Cases	610	234	259	117	215	182	197
Third Party Card							
Median Percent of Sales	10%	10%	10%	10%	6%	15%	15%
Median Transaction Size	$40	$30	$50	$40	$20	$40	$150
Median Percentage Cost	4.0%	3.5%	4.0%	4.0%	3.5%	4.0%	3.6%
Cases	514	171	226	117	184	161	159
Overall Transaction Size[1]							
Median	$28	$25	$31	$25	$11	$29	$170

[1] Overall transaction size calculated from average transaction size for each payment method accepted, weighted by the associated percentage of sales volume.

The questions were: "At your business, what is the average dollar amount of a typical size cash transaction?"

"Thinking of all costs to your business from accepting payment by cash--what would you say is the average cost for this typical size transaction?"

"What is the average dollar amount of a typical transaction paid by personal check?"

"Thinking of all costs to your business from accepting payment by personal checks--what would you say is the average cost for this typical size transaction?"

TABLE 3.3

MOST IMPORTANT COST OF ACCEPTING CASH

Cost Categories	All	Annual Sales Volume (thousands)			Average Transaction Size		
		Less than $500	$500-$5,000	More than $5,000	Less than $20	$20-50	More than $50
Point of Purchase	54%	49%	54%	61%	50%	62%	57%
Personnel, equipment	42	40	43	43	38	49	46
Other	12	9	11	18	12	13	11
Loss and Security	11	8	11	17	13	9	11
Theft, fraud	5	6	6	4	5	5	5
Other	6	2	5	13	8	4	6
Deposit and Financial	9	12	7	3	10	9	7
Deposit fees	2	1	2	1	2	2	1
Other	7	11	5	2	8	7	6
Credit Card Fees	--	--	--	--	--	--	--
Check Verification Fees	--	--	--	--	--	--	--
Other Costs	3	3	4	4	5	3	2
No Costs	12	13	14	8	12	10	14
Don't know, NA	11	15	10	7	10	7	9
Total	100%	100%	100%	100%	100%	100%	100%
Cases	703	263	299	141	236	192	205

The question was: "What is the most important cost to your business for accepting cash payments?"

TABLE 3.4

MOST IMPORTANT COST OF ACCEPTING PERSONAL CHECKS

Cost Categories	All	Annual Sales Volume (thousands)			Average Transaction Size		
		Less than $500	$500-$5,000	More than $5,000	Less than $20	$20-50	More than $50
Point of Purchase	42%	42%	42%	43%	42%	46%	42%
Personnel, equipment	35	36	35	34	35	36	36
Other	7	6	7	9	7	10	6
Loss and Security	23	18	22	34	26	27	19
Theft, fraud	22	17	22	32	25	26	18
Other	1	1	*	2	1	1	1
Deposit and Financial	10	14	8	10	13	8	12
Deposit fees	4	5	3	6	6	4	4
Other	6	9	5	4	7	4	8
Credit Card Fees	--	--	--	--	--	--	--
Check Verification Fees	4	4	5	2	3	2	7
Other Costs	3	1	4	5	3	3	3
No Costs	8	9	9	2	5	6	10
Don't know, NA	10	12	10	4	8	8	7
Total	100%	100%	100%	100%	100%	100%	100%
Cases	684	257	292	135	242	193	205

*Less than 0.5 percent.

The question was: "What is the most important cost to your business for accepting payments by personal check?"

TABLE 3.5

MOST IMPORTANT COST OF ACCEPTING THIRD-PARTY CREDIT CARDS

Cost Categories	All	Annual Sales Volume (thousands)			Average Transaction Size		
		Less than $500	$500-$5,000	More than $5,000	Less than $20	$20-50	More than $50
Point of Purchase	32%	30%	33%	34%	31%	36%	31%
Personnel, equipment	27	25	28	28	25	31	28
Other	5	5	5	6	6	5	3
Loss and Security	1	1	1	3	2	3	1
Theft, fraud	1	1	1	2	2	2	1
Other	*	*	*	1	*	1	*
Deposit and Financial	13	15	12	9	11	14	14
Deposit fees	11	13	10	9	10	11	12
Other	2	2	2	*	1	3	2
Credit Card Fees	43	41	44	44	41	41	47.
Check Verification Fees	--	--	--	--	--	--	--
Other Costs	2	1	3	3	1	2	1
No Costs	1	1	1	1	2	*	1
Don't know, NA	8	11	6	6	12	4	5
Total	100%	100%	100%	100%	100%	100%	100%
Cases	559	186	246	127	188	160	161

*Less than 0.5 percent.

The question was: "What is the most important cost to your business for accepting payment by credit cards?"

TABLE 3.6

PERSONAL CHECKS VERSUS CASH COST COMPARISON

(Among retailers that accept cash and check payments)

		Annual Sales Volume (thousands)			Average Transaction Size		
Overall Cost Comparison	All	Less than $500	$500-$5,000	More than $5,000	Less than $20	$20-50	More than $50
Checks more	55%	48%	52%	74%	67%	57%	43%
Checks same	43	52	46	21	32	39	54
Checks less	1	*	1	4	1	2	3
DK, NA	1	*	1	1	*	2	*
Total	100%	100%	100%	100%	100%	100%	100%
Cases	693	259	295	139	232	189	202
Point of Purchase Costs							
Checks more	39%	27%	38%	60%	48%	40%	27%
Checks same	59	70	60	39	51	58	69
Checks less	2	3	2	1	1	2	4
DK, NA	*	*	*	*	*	*	*
Total	100%	100%	100%	100%	100%	100%	100%
Cases	693	259	295	139	232	189	202
Loss and Security Costs							
Checks more	56%	47%	54%	74%	67%	56%	47%
Checks same	41	50	44	22	31	39	51
Checks less	2	2	2	3	1	5	2
DK, NA	1	1	*	1	1	*	*
Total	100%	100%	100%	100%	100%	100%	100%
Cases	693	259	295	139	232	189	202
Deposit and Financial Costs (excludes check verification fees)							
Checks more	34%	29%	28%	54%	38%	42%	26%
Checks same	65	70	71	45	61	56	74
Checks less	1	1	1	*	1	1	*
DK, NA	*	*	*	1	*	1	*
Total	100%	100%	100%	100%	100%	100%	100%
Cases	693	259	295	139	232	189	202

TABLE 3.6 (continued)

Check Verification Fees	All	Annual Sales Volume (thousands) Less than $500	$500-$5,000	More than $5,000	Average Transaction Size Less than $20	$20-50	More than $50
Percent paying	12%	6%	11%	23%	7%	18%	12%
Median fee	3.0%	3.0%	3.0%	2.5%	2.5%	2.6%	3.0%

The questions were: The next several questions deal with the costs to merchants for accepting various methods of payment. For this study, we have grouped these costs under three broad categories.

The first category is point-of-sales and accounting costs.
The second category involves loss, theft, safekeeping and security costs.
The third category includes deposit costs and fees paid to financial institutions.

Consider first just the category of point-of-sales and accounting costs. This includes equipment and personnel costs for writing sales slips, making change, obtaining verification and approval for checks and credit cards, reconciling daily receipts, record keeping, and other point-of-sale costs you may have.

"Considering just these costs, do payments made by (personal checks/credit cards) cost your business more, less, or generally about the same as (cash payments/personal checks) for the typical size transaction?" "By about what percent are point-of-sale and accounting costs for (personal checks/credit cards) (higher/lower) than for (cash payments/personal checks)?"

The next category of costs includes loss or theft of cash, bad or returned checks, credit card fraud, bonding and insurance fees, safekeeping and other security costs.

"Considering just these costs, do payments made by (personal checks/credit cards) cost your business more, less, or generally about the same as (cash payments/personal checks) for the typical size transaction?" "By about what percent are loss and security costs for personal checks/credit cards) (higher/lower) than for (casn payments/personal checks)?"

Included in the third category are bank service charges for deposits, costs to take the deposits to banks, and costs associated with the delayed receipt of funds.

"Considering the other deposit and financial costs (except check verification fees and credit card fees) do payments made by (personal checks/credit cards) cost your business more, less, or generally about the same as (cash payments/personal checks) for the typical size transaction?" "By about what percent are deposit and financial costs for (personal checks/credit cards) (higher lower) than for (cash payments.personal checks)?"

Now, consider all the costs to your business for accepting different methods of payment (including credit card and check verification fees). Overall, do payments made by (personal checks/credit cards) cost your business more, less, or generally about the same as (cash payments/personal checks) for the typical size transaction?" "By about what percent are all these costs for (personal checks/credit cards) (higher/lower) than for cash payments?"

"Does your business pay a fee for verification or guarantee of personal checks?" "How much is the fee?" "On most credit cards other than store cards, the merchant pays a percentage of each.

TABLE 3.7

THIRD-PARTY CREDIT CARDS VERSUS CASH COST COMPARISON

(Among retailers that accept cash and third-party credit cards)

		Annual Sales Volume (thousands)			Average Transaction Size		
Overall Cost Comparison	All	Less than $500	$500-$5,000	More than $5,000	Less than $20	$20-50	More than $50
Cards more	87%	85%	88%	89%	90%	89%	82%
Cards same	11	14	10	10	9	10	16
Cards less	1	1	1	*	*	1	1
DK, NA	1	*	1	1	1	*	1
Total	100%	100%	100%	100%	100%	100%	100%
Cases	559	186	246	127	186	162	161
Point of Purchase Costs							
Cards more	78%	76%	79%	80%	83%	79%	72%
Cards same	21	22	20	18	16	19	26
Cards less	1	1	1	2	*	2	2
DK, NA	*	1	*	*	1	*	*
Total	100%	100%	100%	100%	100%	100%	100%
Cases	559	186	246	127	186	162	161
Loss and Security Costs							
Cards more	40%	36%	36%	54%	41%	45%	39%
Cards same	54	61	59	36	55	48	57
Cards less	5	2	5	9	3	7	4
DK, NA	1	1	*	1	1	*	*
Total	100%	100%	100%	100%	100%	100%	100%
Cases	559	186	246	127	186	162	161
Deposit and Financial Costs (Excludes credit card fees)							
Cards more	44%	47%	40%	45%	45%	41%	45%
Cards same	54	51	60	49	52	57	53
Cards less	2	1	*	6	2	2	2
DK, NA	*	1	*	*	1	*	*
Total	100%	100%	100%	100%	100%	100%	100%
Cases	559	186	246	127	186	162	161
Third-Party Credit Card							
Median fee	3.0%	3.4%	3.0%	2.5%	3.0%	3.0%	3.0%

For question wording, see Table 2.1.

TABLE 3.8

THIRD-PARTY CREDIT CARDS VERSUS PERSONAL CHECK COST COMPARISON
(Among retailers that accept checks and third-party credit cards)

		Annual Sales Volume (thousands)			Average Transaction Size		
Overall Cost Comparison	All	Less than $500	$500-$5,000	More than $5,000	Less than $20	$20-50	More than $50
Cards more	59%	65%	59%	51%	59%	58%	60%
Cards same	27	23	27	32	25	27	30
Cards less	12	11	12	16	15	14	9
DK, NA	2	1	2	1	1	1	1
Total	100%	100%	100%	100%	100%	100%	100%
Cases	468	266	217	93	161	129	148
Point of Purchase Costs							
Cards more	53%	52%	57%	46%	57%	51%	52%
Cards same	37	39	34	41	32	38	39
Cards less	10	8	9	13	11	11	8
DK, NA	*	1	1	*	*	*	1
Total	100%	100%	100%	100%	100%	100%	100%
Cases	483	165	225	93	161	129	148
Loss and Security Costs							
Cards more	20%	19%	20%	20%	22%	17%	23%
Cards same	47	54	46	37	43	48	44
Cards less	33	26	34	42	35	34	32
DK, NA	*	1	*	1	*	1	1
Total	100%	100%	100%	100%	100%	100%	100%
Cases	483	165	225	93	161	129	148
Deposit and Financial Costs (Excludes check verification and credit card fees)							
Cards more	25%	29%	23%	24%	29%	18%	30%
Cards same	62	58	67	59	58	66	62
Cards less	12	11	10	17	13	16	7
DK, NA	1	2	*	*	*	*	1
Total	100%	100%	100%	100%	100%	100%	100%
Cases	483	165	225	93	161	129	148
Third-Party Credit Card							
Median fee	3.0%	3.4%	3.0%	2.5%	3.0%	3.0%	3.0%
Check Verfication							
Percent paying	12%	6%	11%	23%	7%	18%	12%
Median fee	3.0%	3.0%	3.0%	2.5%	2.5%	2.6%	3.0%

For question wording, see Table 2.1.

TABLE 3.9

RANK ORDER OF PAYMENT METHOD COSTS
(Among retailers that accept cash, checks, and third-party cards)

		Annual Sales Volume (thousands)			Average Transaction Size		
Overall Costs	All	Less than $500	$500-$5,000	More than $5,000	Less than $20	$20-50	More than $50
Card > Check > Cash	31%	33%	28%	38%	40%	30%	23%
Card > Check = Cash	25	33	28	5	18	25	32
Card = Check > Cash	12	7	12	16	13	11	12
Card = Check = Cash	7	6	8	9	4	7	11
Card > Cash > Check	1	*	*	3	*	1	1
Card = Cash > Check	*	*	*	1	*	*	1
Check > Card > Cash	10	7	10	15	13	13	5
Check > Card = Cash	1	2	*	*	1	1	1
Check > Cash > Card	*	*	*	*	*	*	1
Check = Cash > Card	*	*	*	*	*	*	*
Cash > Check > Card	*	*	*	*	*	*	*
Cash > Check = Card	*	*	*	*	*	*	1
Cash > Card > Check	*	*	*	*	*	*	*
Missing data; inconsistent ranking	13	12	13	13	11	12	12
Total	100%	100%	100%	100%	100%	100%	100%
Cases	483	165	225	93	161	129	148
Point of Purchase Costs							
Card > Check > Cash	19%	14%	21%	22%	25%	16%	15%
Card > Check = Cash	31	36	33	19	29	34	33
Card = Check > Cash	13	9	10	27	16	15	7
Card = Check = Cash	15	18	14	11	10	12	22
Card > Cash > Check	1	1	1	2	*	1	3
Card = Cash > Check	*	*	*	*	*	*	*
Check > Card > Cash	6	6	4	9	7	7	3
Check > Card = Cash	2	1	3	3	1	3	3
Check > Cash > Card	*	1	*	*	*	*	1
Check = Cash > Card	*	*	*	1	*	1	*
Cash > Check > Card	*	*	*	*	*	*	*
Cash > Check = Card	*	*	1	*	*	*	1
Cash > Card > Check	*	*	*	*	*	*	*
Missing data; inconsistent ranking	13	14	13	6	12	12	12
Total	100%	100%	100%	100%	100%	100%	100%
Cases	483	165	225	93	161	129	148

TABLE 3.9 (continued)

Loss and Security Costs	All	Annual Sales Volume (thousands) Less than $500	$500-$5,000	More than $5,000	Average Transaction Size Less than $20	$20-50	More than $50
Card > Check > Cash	9%	8%	8%	12%	12%	4%	12%
Card > Check = Cash	6	7	7	2	5	6	7
Card = Check > Cash	8	8	6	14	10	12	5
Card = Check = Cash	24	27	26	13	19	21	27
Card > Cash > Check	1	1	1	1	*	2	*
Card = Cash > Check	*	*	*	1	*	*	1
Check > Card > Cash	12	5	12	22	11	16	8
Check > Card = Cash	17	16	17	16	21	11	18
Check > Cash > Card	1	1	1	1	1	2	1
Check = Cash > Card	1	1	*	2	*	*	2
Cash > Check > Card	*	1	*	*	*	1	*
Cash > Check = Card	1	*	1	1	1	*	1
Cash > Card > Check	*	*	*	*	*	*	*
Missing data; inconsistent ranking	20	25	21	15	20	25	18
Total	100%	100%	100%	100%	100%	100%	100%
Cases	483	165	225	93	161	129	148
Financial and Deposit Costs (excludes check verification and credit card fees)							
Card > Check > Cash	9%	12%	7%	10%	14%	7%	8%
Card > Check = Cash	13	16	13	11	11	10	19
Card = Check > Cash	9	5	9	16	9	11	10
Card = Check = Cash	42	39	48	30	37	40	43
Card > Cash > Check	*	*	*	*	1	*	*
Card = Cash > Check	*	*	*	*	*	*	*
Check > Card > Cash	4	3	4	6	5	3	1
Check > Card = Cash	6	6	4	9	5	9	4
Check > Cash > Card	*	1	*	*	*	*	1
Check = Cash > Card	1	*	1	1	1	1	*
Cash > Check > Card	*	*	*	*	*	*	*
Cash > Check = Card	*	*	*	*	*	*	*
Cash > Card > Check	*	*	*	*	*	*	*
Missing data; inconsistent ranking	16	18	14	17	17	19	14
Total	100%	100%	100%	100%	100%	100%	100%
Cases	483	165	225	93	161	129	148

TABLE 3.10

COST RANKING OF METHODS OF PAYMENT[a]

(Among retailers that accept cash, checks, and third-party cards)

		Annual Sales Volume (thousands)			Average Transaction Size		
Overall Costs	All	Less than $500	$500-$5,000	More than $5,000	Less than $20	$20-50	More than $50
Most Expensive Method							
Cash	1%	1%	*	1%	*	*	1%
Check	23	17	23	31	27	25	19
3rd-Party Card	69	73	66	63	73	66	69
Equal Costs	7	6	8	9	4	7	11
Least Expensive Method							
Cash	79%	82%	78%	74%	87%	78%	73%
Check	26	33	28	9	19	26	24
3rd-Party Card	2	4	1	*	1	1	3
Point of Purchase Costs							
Most Expensive Method							
Cash	*	*	*	1%	*	1%	1%
Check	22	16	17	40	25	26	14
3rd-Party Card	64	60	65	70	71	64	58
Equal Costs	15	18	14	11	10	12	22
Least Expensive Method							
Cash	71%	66%	72%	80%	80%	74%	62%
Check	33	37	34	22	29	34	36
3rd-Party Card	3	2	3	4	1	4	4
Loss and Security Costs							
Most Expensive Method							
Cash	2%	1%	1%	4%	1%	1%	4%
Check	39	31	37	55	45	42	34
3rd-Party Card	24	24	21	30	27	23	24
Equal Costs	24	27	26	13	18	21	28
Least Expensive Method							
Cash	51%	45%	50%	66%	61%	48%	49%
Check	7	8	8	5	6	8	9
3rd-Party Card	19	19	20	20	23	15	22

TABLE 3.10 (continued)

Financial and Deposit Costs (excludes check verification and credit card fees)	All	Annual Sales Volume (thousands) Less than $500	$500-$5,000	More than $5,000	Average Transaction Size Less than $20	$20-50	More than $50
Most Expensive Method							
Cash	*	*	*	1%	1%	1%	*
Check	19	14	17	32	20	25	16
3rd-Party Card	32	33	29	37	35	26	38
Equal Costs	42	39	48	30	37	40	43
Least Expensive Method							
Cash	41%	42%	36%	52%	44%	40%	43%
Check	14	16	13	11	12	10	19
3rd-Party Card	6	6	4	10	5	11	5

*Less than 0.5 percent.

[a]If two payment methods were tied for most (or least) expensive, both were coded most (least) expensive.

TABLE 3.11

REASONS FOR ACCEPTING THIRD-PARTY CREDIT CARDS DESPITE FEES
(Retailers that accept third-party credit cards)

Reasons	All	Annual Sales Volume (thousands)			Average Transaction Size		
		Less than $500	$500-$5,000	More than $5,000	Less than $20	$20-50	More than $50
Customer convenience	44%	41%	50%	37%	43%	42%	47%
Encourages sales	40	43	30	54	39	44	36
Safer	7	4	9	5	8	5	7
Cash flow	3	6	4	*	3	3	6
Convenient for retailer	2	1	4	*	1	3	2
No advantage to accepting credit cards	2	3	1	*	2	1	1
Other	2	1	2	3	3	1	1
NA	1	1	*	1	1	1	*
Total	100%	100%	100%	100%	100%	100%	100%
Cases	559	186	246	127	186	162	161

*Less than 0.5 percent.

The question was: "Considering the fees merchants pay on credit card sales, what is the main reason it is worthwhile for your business to accept credit cards?"

TABLE 3.12

REASONS FOR NOT ACCEPTING THIRD-PARTY CREDIT CARDS

Reasons	Third-Party Credit Cards
Fees and charges	54%
No demand	35
Paperwork, inconvenience	16
Slow cash flow	7
Risk of loss or fraud	5
Other	7
DK, NA	5
Total	a
Cases	141
Ever Accept:	
Yes	27%
Years ago accepted:	
1	4
2-3	9
4 or more	14
(Median)	(5.6)
No	73
Total	100%
Cases	141

*Less than 0.5 percent.

[a]May add to more than 100% due to multiple mentions.

The questions were: "What are the main reasons your business does not generally accept personal checks?" "Are there any other reasons?" "Has your business ever accepted personal checks for payment?" "How many years ago did your business stop accepting personal checks?" "What are the main reasons your business does not accept credit cards?" "Are there any other reasons?" "Has your business ever accepted credit cards for payment?" "How many years ago did your business stop accepting credit cards?"

TABLE 4.1

PAYMENT METHODS PREFERRED BY RETAILER

Preferred Method for Additional Sale	All	Annual Sales Volume (thousands) Less than $500	$500-$5,000	More than $5,000	Average Transaction Size Less than $20	$20-50	More than $50
Cash	86%	88%	87%	83%	93%	87%	77%
Personal check	7	6	8	4	2	4	16
Store credit card	2	1	1	6	2	4	*
3rd-party credit card	1	2	*	3	1	2	3
DK, NA	4	3	4	4	2	3	4
Total	100%	100%	100%	100%	100%	100%	100%
Cases	703	263	299	141	234	194	205
Preferred Method for Sales Increase of 25 Percent							
Cash	83%	85%	84%	79%	88%	87%	79%
Personal check	7	7	8	7	4	2	12
Store credit card	3	1	1	7	3	5	1
3rd-party credit card	2	1	1	3	1	2	2
DK, NA	5	6	6	4	4	4	6
Total	100%	100%	100%	100%	100%	100%	100%
Cases	703	263	299	141	234	194	205

The questions were: "If a customer is making a purchase, and only the method of payment has to be decided, would you prefer to take cash, a personal check, a store credit card, or another credit card in payment?" "If your annual unit sales increased by 25 percent, would you prefer to have the additional sales by cash, personal check, store credit card, or another credit card?"

TABLE 4.2

REASONS FOR PAYMENT METHOD PREFERENCE

(Among retailers who accepted more than one method and stated a preference)

Reason Payment Method Preferred for Additional Sale	Payment Method Preferred	
	Cash	Check
Low risk	74%	79%
Avoid deposit fees and credit card fees	31	23
Cash flow	24	5
Lower costs	16	34
Customer preference	*	2
Other	13	11
Total	a	a
Cases	607	47
Reason Payment Method Preferred for 25 Percent Sales Increase		
Low risk	46%	55%
Avoid deposit fees and credit card fees	19	29
Cash flow	33	*
Lower costs	24	36
Customer preference	1	2
Other	17	17
Total	a	a
Cases	575	52

[a]May add to more than 100% due to multiple mentions.

TABLE 4.3

RETAILER EXPERIENCE WITH CASH DISCOUNTS

(Among retailers that accept third-party credit cards)

Retailer Experience	All	Annual Sales Volume (thousands) Less than $500	$500-$5,000	More than $5,000	Average Transaction Size Less than $20	$20-50	More than $50
Now offers discount for cash	10%	7%	14%	8%	13%	8%	9%
Did offer discount for cash in past	4	5	3	3	4	3	4
Considered in past, but did not offer discount for cash	18	15	13	21	18	15	17
Never offered or considered discount for cash payment	78	73	69	68	65	74	70
Don't know, not ascertained	*	*	1	*	*	*	*
Total	100%	100%	100%	100%	100%	100%	100%
Cases	571	189	250	132	192	167	162
Median Discount Offered by Retailer	4.0	5.0	4.0	3.8	4.0	4.0	4.0
Median Percent of Customers that Receive Discount for Cash Payment	50%	50%	55%	55%	60%	60%	25%
Competitors Offer Cash Discount?							
Yes	10%	6%	12%	12%	12%	7%	10%
Some offer	8	5	8	10	8	10	6
No	67	70	62	72	71	72	63
DK, NA	15	19	18	5	9	11	21
Total	100%	100%	100%	100%	100%	100%	100%
Cases	713	266	302	145	240	195	205
Median Discount Offered by Competitors	5.0	10.0	5.0	4.0	4.0	4.0	5.0

The questions were: "Does your business now offer a discount to all customers who pay in cash intead of using a credit card?" and "Has your business ever had a policy of charging all customers a lower price for paying in cash instead of using a credit card?" and "Has your business ever considered offering a lower price to all customers who pay in cash instead of using a credit card?" "Do your main competitors offer a discount when customers pay in cash instead of using a credit card?" "What percentage discount is offered by your main competitors?" "What percentage discount do you offer for payment in cash?" and "What percentage of all your customers (receive/ask for) a discount for paying with cash instead of a credit card?"

TABLE 4.4

POLICIES GOVERNING CASH DISCOUNTS, SIZE OF DISCOUNT, AND THE NUMBER OF CUSTOMERS THAT RECEIVE DISCOUNTS

		Annual Sales Volume (thousands)			Average Transaction Size		
Now Offers Discount for Cash Payments	All	Less than $500	$500-$5,000	More than $5,000	Less than $20	$20-50	More than $50
Yes	10%	7%	14%	8%	13%	8%	9%
Discount for:							
Cash only	3	4	4	3	4	3	3
Cash and check	7	3	10	5	9	5	6
Discount Policy:							
Permanent	9	7	12	7	13	6	7
Temporary	1	*	2	1	*	2	2
Discount Availability:							
Automatic	8	5	11	8	12	7	6
Customer must ask	2	2	3	*	1	1	3
Discount Determined by:							
Mark-up on item	1	*	1	2	2	*	2
Cost of card sales	4	3	4	4	4	4	4
Competitors discount	1	1	1	2	2	*	*
Suggested by oil company	1	1	2	*	3	1	*
Effect of Cash Discounts on Overall Costs:							
Higher	2	1	3	*	2	2	1
Same	6	4	10	3	9	4	6
Lower	2	2	1	5	2	2	2
(Median % change)	(0.0)	(0.0)	(0.0)	(-1.4)	(0.0)	(0.0)	(0.(
Effect of Cash Discounts on Overall Sales Volume:							
Higher	4	4	5	6	5	3	5
Same	5	3	9	2	8	4	4
Lower	1	*	*	*	*	1	*
(Median % change)	(0.0)	(0.0)	(0.0)	(5.0)	(0.0)	(0.0)	(0.(
No	90	93	86	92	87	92	91
Don't know, not ascertained	*	*	*	*	*	*	*
Total	100%	100%	100%	100%	100%	100%	100%
Cases	571	189	250	132	192	167	162

The questions were: "Does your business now offer a discount to all customers who pay in cash instead of using a credit card?" "Is that discount also offered for payment with personal checks?" and "Is this policy of discounts for cash payment permanent, or is it a temporary promotional-type of policy?" and "Is the discount automatically given to anyone who pays in cash (or by check) or does the customer have to ask for a discount?" and "How was that size discount determined?" and "As a result of offering discounts for cash, is your overall sales volume higher, lower, or about the same?" and "As a result of offering discounts for cash, are your overall costs for accepting payments from consumers higher, lower, or about the same?"

CHART 4.5

REASONS FOR NOT OFFERING DISCOUNTS FOR CASH PAYMENTS

Offer Discount for Cash Payment in Past	All	Annual Sales Volume (thousands) Less than $500	$500-$5,000	More than $5,000	Average Transaction Size Less than $20	$20-50	More than $50
Yes	4%	5%	4%	3%	4%	3%	4%
Reason for not offering now:[1]							
customer dislike	*	1	*	1	1	1	*
discourages credit use	*	*	*	*	*	*	*
don't think it would work--no need	1	1	1	1	1	1	*
decreased profits	2	3	1	1	1	1	2
decreased sales	*	*	*	*	*	*	*
increased costs	1	*	2	*	1	1	1
illegal	*	*	*	1	1	*	*
other reasons	*	1	*	*	1	*	*
No	96	95	95	97	96	97	95
Don't know, not ascertained	*	*	1	*	*	*	1
Total	100%	100%	100%	100%	100%	100%	100%
Cases	510	173	215	122	167	152	147
Considered Offering Discount for Cash Payment in the Past							
Yes	18%	17%	16%	24%	22%	16%	19%
Reason for not offering in past:[1]							
customer dislike	3	2	3	3	4	2	4
didn't think it would work--no need	4	5	3	5	5	3	6
decreased profits	3	3	2	5	3	4	4
decreased sales	2	1	2	2	2	1	2
increased costs	5	6	2	9	8	4	5
illegal	1	1	*	3	1	1	1
other reasons	1	*	1	2	2	1	1
No	81	83	83	76	78	84	80
Don't know, not ascertained	1	*	1	*	*	*	1
Total	100%	100%	100%	100%	100%	100%	100%
Cases	490	165	207	118	192	167	162
Does not Offer Discount							
Median size of discount that would leave profits unchanged	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

[1] May add to more than total due to multiple mentions.

The questions were: "Has your business ever had a policy of charging all customers a lower price for paying in cash instead of using a credit card?" and "Why did your business decide to stop offering a discount for paying in cash?"

"Has your business ever considered offering a lower price to all customers who pay in cash instead of using a credit card?" and "Why did your business decide not to do so?"

TABLE 4.6

TYPES OF RETAIL ESTABLISHMENTS THAT OFFER CASH DISCOUNTS

	Offer Discount for Cash Payment	
	Yes	No
Building materials & garden supplies [5211,5231,5251,5261]	14%	15%
General merchandise stores [5311,5331,5399]	*	10
Auto & home supply stores [5531]	*	5
Gasoline service stations [5541]	39	12
Apparel & accessory stores [5611,5621,5631,5641,5651, 5661,5699]	4	14
Furniture & home furnishings stores [5712,5713,5714, 5719,5722,5732,5733]	27	18
Drug stores & proprietary stores [5912]	3	7
Miscellaneous shopping goods stores [5941,5942,5943,5944, 5945,5946,5947,5949]	9	14
Mail order houses [5961]	*	1
Fuel oil dealers [5983]	2	1
Liquified petroelum gas dealers [5984]	2	1
Florists [5992]	*	2
Total	100%	100%
Cases	61	510

TABLE 4.7

CASH DISCOUNT POLICIES AMONG RETAILERS AND THEIR COMPETITORS

Competitors Offer Cash Discounts?	All	Discount Offered by Retailer	
		Now Offers	Does Not Offer
Yes	10%	45%	5%
Some offer	8	23	5
No	67	14	76
DK; NA	15	18	14
Total	100%	100%	100%
Cases	571	61	510

TABLE 5.1

OPINIONS OF RETAILERS TOWARD DISCOUNTS FOR CASH PURCHASES

Discount for Cash Good or Bad Idea	All	Annual Sales Volume (thousands) Less than $500	$500-$5,000	More than $5,000	Average Transaction Size Less than $20	$20-50	More than $50
Good Idea[1]	39%	40%	41%	35%	36%	35%	49%
Customers prefer it	9	7	11	10	9	7	13
Discourages credit use	4	5	5	3	5	6	2
Customer should pay cost	5	4	5	6	6	3	6
Increased profits	6	5	7	4	3	6	9
Increased sales	8	9	7	7	7	9	8
Decreased costs	15	15	17	13	13	12	23
Other advantages	2	3	2	1	1	1	4
Bad Idea[1]	57%	55%	57%	61%	63%	61%	48%
Customers don't like it	21	20	17	21	19	21	21
Discourage credit use	*	*	*	1	*	*	1
Store should pay cost	4	3	4	4	3	3	4
Decreased profits	15	14	14	18	17	17	11
Decreased sales	7	7	8	7	10	6	6
Increased costs	13	13	13	16	14	18	8
Illegal	*	1	*	*	*	*	*
Other disadvantages	6	4	5	10	5	10	4
Don't know, not ascertained	4	5	2	4	1	4	3
Total	100%	100%	100%	100%	100%	100%	100%
Cases	713	266	302	145	240	195	205

[1] May add to more than total due to multiple responses.

The questions were: "In general, do you think it is a good idea or a bad idea for a retailer to offer a discount to customers who pay in cash instead of with a credit card?" and "Why do you think it is a (good/bad) idea?"

TABLE 5.2

OPINIONS OF RETAILERS TOWARD SURCHARGES FOR CREDIT CARD PURCHASES

Credit Card Surcharge Good or Bad Idea	All	Annual Sales Volume (thousands) Less than $500	$500-$5,000	More than $5,000	Average Transaction Size Less than $20	$20-50	More than $50
Good Idea[1]	27%	29%	27%	26%	34%	25%	22%
Customers prefer it	2	*	2	3	3	1	1
Discourages credit use	3	4	2	2	2	2	3
Customer should pay cost	18	19	18	18	26	18	11
Increased profits	5	6	6	1	6	4	6
Increased sales	*	*	*	1	*	*	1
Decreased costs	3	3	3	4	3	2	3
Other advantages	1	*	*	3	*	2	*
Bad Idea[1]	71%	70%	72%	70%	64%	74%	76%
Customers don't like it	39	35	40	44	36	37	46
Discourages credit use	2	3	2	1	3	2	1
Store should pay cost	11	14	12	11	11	11	13
Decreased profits	3	3	3	6	3	5	3
Decreased sales	23	21	22	28	19	29	23
Increased costs	5	4	5	6	4	7	5
Illegal	1	*	1	3	1	1	2
Other disadvantages	4	4	4	3	6	2	4
Don't know, not ascertained	3	1	1	4	2	1	2
Total	100%	100%	100%	100%	100%	100%	100%
Cases	713	266	302	145	240	195	205

[1] May add to more than total due to multiple responses.

The questions were: "Instead of a discount for cash, do you think it would be a good idea or a bad idea if retailers added an extra fee or surcharge when their customers used credit cards to make a purchase?" and "Why do you think it would be a (good/bad) idea?"

TABLE 5.3

RETAILER PREFERENCES FOR CASH DISCOUNTS OR CREDIT SURCHARGES

Prefer Discount for Cash or Surcharge for Credit	All	Annual Sales Volume (thousands)			Average Transaction Size		
		Less than $500	$500-$5,000	More than $5,000	Less than $20	$20-50	More than $50
Discount for Cash[1]	29%	28%	30%	28%	26%	29%	34%
customers prefer it	10	9	11	11	10	10	12
discourages credit use	2	3	1	1	2	3	1
customer should pay cost	1	1	1	1	1	1	1
increased profits	2	4	1	1	2	2	2
increased sales	6	6	6	8	4	7	9
decreased costs	9	8	5	10	7	9	13
Surcharge for Credit[1]	22%	19%	22%	25%	24%	23%	19%
customers prefer it	2	*	3	2	3	1	3
discourages credit use	2	1	2	3	2	2	1
customer should pay cost	10	9	8	19	13	11	7
increased profits	4	3	5	1	4	3	5
increased sales	1	3	*	*	*	1	1
decreased costs	6	5	6	6	6	7	5
Neither[1]	47%	52%	45%	45%	50%	45%	44%
customers don't like	15	15	16	15	17	15	15
discourages credit use	*	*	*	*	*	*	*
store should pay cost	4	3	3	6	2	5	5
decreased profits	7	7	7	8	5	10	5
decreased sales	5	5	4	5	4	6	5
increased costs	15	17	14	14	16	15	13
illegal	1	*	*	*	*	*	*
other disadvantages	4	5	6	3	6	5	4
Don't know, not ascertained	2	1	3	1	1	3	3
Total	100%	100%	100%	100%	100%	100%	100%
Cases	713	266	302	145	240	195	205

[1]May add to more than total due to multiple responses.

The questions were: "If either a discount for cash or a surcharge for credit were allowed by law, would you prefer to use a cash discount, a credit surcharge, or neither one?" and "Why would you prefer to use (a discount for cash/a surcharge for credit/ neither one?")